

TOWNSHIP OF ALEPPO

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**TOWNSHIP OF ALEPPO**  
ALLEGHENY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

WITH REPORT OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**TOWNSHIP OF ALEPPO**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
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**TOWNSHIP OF ALEPPO**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
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**Township Board of Commissioners  
Township of Aleppo**

**Independent Auditor's Report**

**Report on Financial Statements**

I have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Aleppo as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America.; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Aleppo, Allegheny County, Pennsylvania as of December 31, 2015 and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

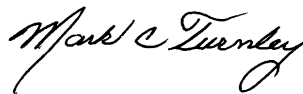
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages iii-xiii) and historical pension information (pages 42-46) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Aleppo's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Mark C. Turnley, CPA

October 14, 2016  
New Brighton, Pennsylvania

**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

The discussion and analysis of the Township of Aleppo's financial performance provides an overall review of the Township's financial activities for the calendar year ended December 31, 2015. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Township's financial performance. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- The Township of Aleppo's net position decreased by \$250,114 in 2015.
- As of December 31, 2015, the unrestricted net position of the Township of Aleppo was \$1,661,828.
- As of December 31, 2015, the fund balance for the general fund was \$1,265,350, an increase of \$8,855 (.7%) from 2014. The unassigned portion of the general fund balance was \$1,194,013, an increase of \$109,222 from 2014.

**Using the Annual Financial Report**

The financial section of this report consists of three parts: management's discussion and analysis, the basic financial statements (including notes to the financial statements) and other financial information including required pension supplementary information, combining and individual fund statements with detailed budgetary comparison schedules, and other additional information. The basic financial statements present two different views of the Township through the use of government-wide financial statements and fund financial statements.

The first two statements are government-wide financial statements – the statement of net position and the statement of activities. These provide both long-term and short-term information about the Township's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental funds statements tell how general Township services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

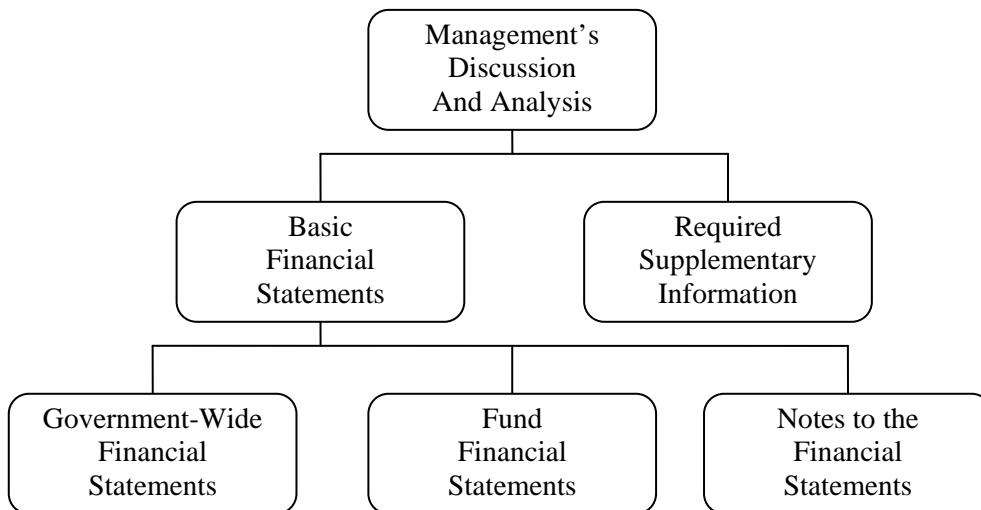
**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

**Using the Annual Financial Report (Cont'd)**

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

Figure A-1  
Required Components of  
Township of Aleppo's  
Financial Report





**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

**Using the Annual Financial Report (Cont'd)**

Figure A-2 summarizes the major features of the Township's financial statements, including the portion of the Township they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
Major Features of the Township of Aleppo's  
Government-Wide and Fund Financial Statements

|                                        | Government-Wide<br>Statements                                                          | Fund Statements                                                                                                                                                                            |                                                                                                     |
|----------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                                        |                                                                                        | Governmental Funds                                                                                                                                                                         | Fiduciary Funds                                                                                     |
| Scope                                  | Entire Municipal Government (except fiduciary funds)                                   | The activities of the Township that are not proprietary or fiduciary, such as education, administration and community services                                                             | Instances in which the Township is the trustee or agent to someone else's resources - pension funds |
| Required financial statements          | Statement of net position; statement of activities                                     | Balance sheet; statement of revenues, expenditures, and changes in fund balance                                                                                                            | Statement of fiduciary net position; statement of changes in fiduciary net position                 |
| Accounting basis and measurement focus | Accrual accounting and economic resources Focus                                        | Modified accrual accounting and current financial resources focus                                                                                                                          | Accrual accounting and economic resources Focus                                                     |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, and short-term and long-term   | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included                                                            | All assets and liabilities, both short-term and long-term                                           |
| Type of in-flow/outflow information    | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid              |

**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

**Overview of Financial Statements**

This discussion and analysis section of the annual financial report is intended as an introduction to the Township's basic financial statements. As stated earlier, there are three components to the Township's financial statements. These are government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains supplementary information designed to enhance the reader's understanding of the Township's finances.

**Government-Wide Statements**

Government-wide financial statements are intended to provide readers with a broad overview of the Township's finances. There are two government-wide financial statements presented in this report.

The first is the statement of net position. The statement of net position presents information on all of the Township of Aleppo's assets and liabilities. The difference between the Township's assets and liabilities is shown as the Township's net position. Increases or decreases in net position is a financial indicator that, when tracked over time, can be used as a measure of the Township's financial condition.

The second government-wide financial statement is the statement of activities. This statement shows information on how the Township's net position has changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the actual cash flow. Revenues and expenses are reported in the statement for some items that will result in cash flows at some future date. For example, taxes that are levied but not yet to be collected, or sick days accrued but not yet used.

It is the accepted practice in the government-wide financial statements to distinguish governmental activities from business-type activities. Governmental activities are those functions of the Township that are principally supported by tax dollars and intergovernmental revenues. Governmental activities commonly include services such as police, fire, public works, planning and administration. Business-type activities are those that are funded through user fees and charges. These would include such municipal services as sewage treatment, public water or other municipally-owned utilities. The Township of Aleppo does not perform any business-type activities. The government-wide financial statements therefore report only information on governmental activities.

The government-wide financial statements are required to include financial information not only on the primary governmental unit, Township of Aleppo, but also information for any other component unit for which the primary governmental unit is financially responsible. The Township of Aleppo has no component units.

**Township of Aleppo**  
**Management's Discussion and Analysis**  
**December 31, 2015**

**Overview of Financial Statements (Cont'd)**

**Government-Wide Statements (Cont'd)**

The fund financial statements provide detailed information about the Township's funds as opposed to the Township as a whole. A fund is a grouping of related, self-balancing accounts that are used to maintain control over sources that have been segregated for specific activities or objectives. Certain funds are required to exist to comply with requirements of the Commonwealth of Pennsylvania. Since the Township of Aleppo does not have any business-type or proprietary funds, the funds used by the Township are divided into two categories. They are governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund statements focus on near-term financial activities. Governmental fund statements report information on revenues and expenditures throughout the year, as well as the balances of available resources at year-end. This information allows the reader to evaluate the Township's short-term financial activities.

By viewing information combined in the government-wide financial statements, in conjunction with that contained in the governmental fund, the reader can appreciate the impact near-term financial activities have on the Township's long-term financial condition. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township of Aleppo maintains six individual governmental funds. These are the general fund, infrastructure fund, capital improvements fund, construction fund, debt service fund, and the highway aid fund.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general and construction funds. The general fund is required to be shown separately as a major fund. For 2015, the debt service fund was also considered a major fund and is shown separately. The highway aid fund, capital improvement fund, construction fund, and infrastructure funds are considered non-major funds of the Township.

The Township of Aleppo annually adopts a budget for the General Fund. Budgeted information for the Township's Liquid Fuels Fund is initially included in the Township's General Fund budget process.

Fiduciary funds are used to account for resources held for the benefit of parties other than the Township. Fiduciary funds are not reflected in the government-wide financial statements because the resources contained in these funds are not available to support the programs of the Township of Aleppo. The Township of Aleppo maintains two fiduciary funds. These are the police pension fund and the non-uniformed employees' pension fund.

The notes to the financial statements provide additional information essential for a reader to develop a full understanding of the information provided in the government-wide and fund financial statements.

**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

**Overview of Financial Statements (Cont'd)**

**Government-Wide Statements (Cont'd)**

In addition to the basic financial statements and the accompanying notes, the report also presents detail schedules of budget versus actual revenues and expenditures information of the general fund along with certain required supplementary information. The required supplementary information in the Township's financial report provides the reader with information concerning the Township's net pension liability and progress towards funding its pension obligation for the police pension plan.

**Financial Analysis of the Township as a Whole**

The following table presents the net position of the Township for the years ended December 31, 2015 and 2014.

Table A-1  
Years Ended December 31, 2015 and 2014  
Net Position

|                                               | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>GOVERNMENTAL<br/>ACTIVITIES</u> |
|-----------------------------------------------|------------------------------------|------------------------------------|
| Current Assets                                | \$ 2,031,653                       | \$ 2,554,016                       |
| Capital Assets                                | 9,434,479                          | 9,463,050                          |
| Deferred Outflows                             | 601,905                            | -                                  |
| <b>TOTAL ASSETS AND<br/>DEFERRED OUTFLOWS</b> | <b><u>\$ 12,068,037</u></b>        | <b><u>\$ 12,017,066</u></b>        |
| Current Liabilities                           | \$ 357,689                         | \$ 310,535                         |
| Long-Term Liabilities                         | 7,930,422                          | 7,736,427                          |
| <b>TOTAL LIABILITIES</b>                      | <b><u>\$ 8,288,111</u></b>         | <b><u>\$ 8,046,962</u></b>         |
| Net Investment in Capital Assets              | \$ 1,549,531                       | \$ 1,489,303                       |
| Restricted                                    | 568,567                            | 752,945                            |
| Unrestricted                                  | 1,661,828                          | 1,727,856                          |
| <b>TOTAL NET POSITION</b>                     | <b><u><u>\$ 3,779,926</u></u></b>  | <b><u><u>\$ 3,970,104</u></u></b>  |

Current assets decreased as a result of the cash contributions required by the Township for the advance refunding of the Township's Guaranteed Sewer Revenue Bonds, Series of 2011. Capital assets decreased as depreciation expenses exceeded fixed asset additions for 2015. The amount above for deferred outflows is new for calendar year 2015 and is the result of the Township's implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – Accounting and Financial Report for Pensions - and deferred interest on refunding from the Township's issuance of its Guaranteed Sewer Revenue Bonds, Series of 2015. The increase in long-term liabilities is mainly related to the Township's implementation of GASB Statement No. 68 which required the Township to recognize a net pension liability related to its police pension plan on its statement of net position for the first time in calendar year 2015.

**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

**Financial Analysis of the Township as a Whole (Cont'd)**

Table A-2 takes the information from the statement of activities (Exhibit B), rearranges it slightly, so you can see our total revenues and expenses for the 2015 year compared to 2014.

Table A-2  
Years Ended December 31, 2015 and 2014  
Changes in Net position

|                                    | <b>2015<br/>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>2014<br/>GOVERNMENTAL<br/>ACTIVITIES</b> |
|------------------------------------|---------------------------------------------|---------------------------------------------|
| <b>REVENUES</b>                    |                                             |                                             |
| <b>Program Revenues:</b>           |                                             |                                             |
| Charges for Services               | \$ 63,311                                   | \$ 68,742                                   |
| Operating Grants and Contributions | 628,816                                     | 705,820                                     |
| <b>General Revenues:</b>           |                                             |                                             |
| Property Taxes                     | 475,754                                     | 469,784                                     |
| Act 511 Taxes                      | 355,668                                     | 394,782                                     |
| Payments in Lieu of Taxes          | 216,241                                     | 212,933                                     |
| Interest                           | 3,249                                       | 459                                         |
| Sale of Township Assets            | -                                           | 26,550                                      |
| Other                              | 35,684                                      | 36,168                                      |
| <b>TOTAL REVENUES</b>              | <b>\$ 1,778,723</b>                         | <b>\$ 1,915,238</b>                         |
| <b>EXPENSES</b>                    |                                             |                                             |
| General Government                 | \$ 272,320                                  | \$ 252,234                                  |
| Public Safety                      | 238,073                                     | 232,907                                     |
| Public Works - Sanitation          | 101,627                                     | 98,468                                      |
| Public Works - Sewer               | 50,794                                      | 1,300                                       |
| Public Works - Highways            | 807,059                                     | 470,595                                     |
| Debt Service                       | 523,932                                     | 427,580                                     |
| Miscellaneous                      | 35,032                                      | 31,658                                      |
| <b>TOTAL EXPENSES</b>              | <b>\$ 2,028,837</b>                         | <b>\$ 1,514,742</b>                         |
| <b>CHANGE IN NET ASSETS</b>        | <b>\$ (250,114)</b>                         | <b>\$ 400,496</b>                           |

The decrease in Operating Grants and Contributions is mainly the result of the decrease of debt service payments received from Aleppo Township Authority of \$80,702 from 2014 to 2015, to pay down the required debt service obligations on the Township's guaranteed sewer revenue bonds, series of 2011. Debt service expenditures reflects the interest cost payments made on the Township's Guaranteed Sewer Revenue Bonds, Series of 2011 and bond closing costs incurred on the advanced refund of the Township's Guaranteed Sewer Revenue Bonds, Series of 2011 with the Township's Guaranteed Sewer Revenue Bonds, Series of 2015.

**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

**Governmental Activities:**

**Revenue Sources**

Total government-wide revenues of \$1,778,723 were derived primarily from taxes. In 2015, the Township collected \$831,422 in taxes. Tax revenue accounted for 47% and 45% respectively of all revenues for 2015 and 2014, with real estate, and earned income being the most significant. In 2015, current real estate tax collections totaled \$454,663 or 96% of the taxes levied, while earned income taxes accounted for \$223,678 or 27% of the total taxes collected for general government functions. The earned income tax is one-half of one (.5%) percent levied against the earnings of Township residents, which includes wages and other earnings.

The real estate tax is a tax levied against the assessed valuation of real estate property located in the Township. The assessed valuation of property on December 31, 2015 was \$135,916,900. The assessed value of property in 2014 was \$133,556,850. A 3.5 mill tax was levied for general purposes in 2015 and 2014.

The year 2015 was the twelfth year of a 20-year agreement with Masonic Villages for Payment-in-Lieu-of-Taxes (PILOT) for their tax-exempt property. A payment of \$216,241 was received, which represented 12% of total revenues.

**Program Expenses**

Total expenses for all programs in 2015 were \$2,028,837. The expenses reflect the delivery of a range of services, the largest being Public Works (Highways, Sewer, and Sanitation) at 47%. The category with the second highest expenditures is Debt Service, which accounts for \$523,932 or 26% of spending. General Government includes Administration, Tax Collection, Legal, Engineering, and Municipal Building maintenance and operation. This year, much of the spending was within or below budgeted amounts with the exception of public works – highways expenditures which included \$425,633 in capital project costs compared to a budget of \$247,000, and street repair and maintenance costs of \$106,609 on a budget of \$22,000.

**Net Program Expenses/Revenues**

As one might expect, the basic services of the Township of Aleppo are primarily financed through general revenues. User fees are charged to offset the costs of services rendered in the situations where one can identify a specific beneficiary of a municipal service. Examples of this type of municipal service include various inspection fees and permits as well as engineering and land development services where property owners are required to reimburse the Township for actual expenses.

**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

**Financial Analysis of the Township's Funds**

At the end of 2015, the Township's government funds reported a combined balance of \$1,916,495, a decrease of \$532,472 compared to the previous year.

**General Fund Budgetary Highlights**

In 2015, general fund revenues exceeded budgeted revenues. Actual revenues equaled \$1,522,616 versus the budgeted amount of \$1,055,933.

- Sources of unbudgeted revenue include a transfer from the Capital Improvement Fund to reimburse capital project expenses, and refunds of prior year expenses.

General fund expenditures of \$1,513,761 were more than the budgeted amount of \$1,332,956 by \$180,805.

- This increase in spending over budgeted amounts is primarily due to the capital project expenditures in the 'public works – highways expenditures' category totaling approximately \$425,633 compared to a budget of \$247,000, and street repair and maintenance costs of \$106,609 on a budget of \$22,000.
- Spending in most other categories was generally close to the budgeted amounts.

**Highway Aid Fund**

The Highway Aid Fund (Liquid Fuels) is a special revenue fund as mandated by the Commonwealth of Pennsylvania. Its source of revenue is the annual receipt of monies from the state based on a formula utilizing population and miles of Township-owned roads for sharing of the tax collected on fuels by the state. In 2015, funds were primarily expended for road salt. At December 31, 2015 the Liquid Fuels Fund maintained a fund balance of \$29,674.

**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

**Capital Assets and Debt Administration**

**Capital Assets**

Capital assets consist primarily of land, buildings and improvements, equipment and infrastructure. The following is a summary of capital assets at December 31, 2015 and 2014:

Table A-3  
Governmental Activities  
Capital Assets - Net of Depreciation

|                           | <b>2015</b>         | <b>2014</b>         |
|---------------------------|---------------------|---------------------|
| Land                      | \$ 187,300          | \$ 187,300          |
| Site Improvements         | 45,611              | 51,058              |
| Building and Improvements | 320,596             | 336,126             |
| Furniture and Equipment   | 104,930             | 132,887             |
| Infrastructure            | 575,253             | 588,799             |
| Sewer Infrastructure      | 8,145,938           | 8,105,091           |
| Water and Sewer           | 54,851              | 61,789              |
|                           | <b>\$ 9,434,479</b> | <b>\$ 9,463,050</b> |

**Debt Administration**

On May 20, 2015, the Township of Aleppo issued Guaranteed Sewer Revenue Bonds, Series of 2015 in the amount of \$8,345,000 for the purpose of 1) advance refunding the Township's outstanding Guaranteed Sewer Revenue Bonds, Series of 2011, currently outstanding in the aggregate principal amount of \$7,885,000 and 2) pay related costs and expenses, including costs of issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. Interest rates range between 1.2 and 4.1% with the bonds maturing on December 1, 2041. The Township has pledged its sewer revenues as security for the bonds. The Township's Guaranteed Sewer Revenue Bonds outstanding at December 31, 2015 totals \$8,345,000.

In January of 2010, the Township of Aleppo entered into a loan agreement with the Authority for Improvement in Municipalities (AIM) for the construction of a garage for equipment storage and office space totaling \$100,000. The terms of the loan agreement call for five annual principal payments of \$20,000 plus interest at an annual rate of 1.65% scheduled to mature in October of 2015. The loan is a general obligation of the Township and is secured by the full faith, credit and taxing power of the Township. As of December 31, 2015, the loan has been paid in full.



**Township of Aleppo  
Management's Discussion and Analysis  
December 31, 2015**

**Capital Assets and Debt Administration (Continued)**

**Debt Administration (Continued)**

During 2013, the Township of Aleppo entered into a verbal agreement with the Borough of Sewickley to pay tap fees related to the Act 537 Plan project. The verbal agreement stipulates that the Township will pay \$100,000 per year over the next four years to the Borough, interest free, with the first payment being made in 2013 and maturing in 2016.

More detailed information about the Township's capital assets and long-term debt can be found in the notes to the financial statements.

**Trust and Agency Operations**

**Pension Trust Funds**

The Township maintains two pension funds related to the activities associated with the Township of Aleppo Police and Non-Uniform Employees Pension systems. The police department has been disbanded, but their pension plan is being maintained and kept up to date. Changes in these funds for 2015 are reflected on page 9 of the audit report.

**Contacting the Township's Financial Management**

This financial report is designed to provide the citizens of the Township, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions related to this report or need additional information, please contact: Township of Aleppo, 100 North Drive, Sewickley, PA 15143, (412) 741-6555.

**TOWNSHIP OF ALEPPO**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

**EXHIBIT A**

|                                                                    | <b>Governmental<br/>Activities</b> |
|--------------------------------------------------------------------|------------------------------------|
| <b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>                    |                                    |
| <b>Current Assets:</b>                                             |                                    |
| Cash and Cash Equivalents                                          | \$ 197,441                         |
| Investments                                                        | 1,576,231                          |
| Taxes Receivable (net)                                             | 90,591                             |
| Due From Other Governments                                         | 87,713                             |
| Other Receivables                                                  | 11,602                             |
| Prepaid Expenses                                                   | 68,075                             |
| <b>Total Current Assets</b>                                        | <b>\$ 2,031,653</b>                |
| <b>Noncurrent Assets:</b>                                          |                                    |
| Land                                                               | \$ 187,300                         |
| Site Improvements (net)                                            | 45,611                             |
| Building & Building Improvements (net)                             | 320,596                            |
| Furniture and Equipment (net)                                      | 9,260                              |
| Vehicles (net)                                                     | 95,670                             |
| Infrastructure (net)                                               | 575,253                            |
| Sewer Infrastructure (net)                                         | 8,145,938                          |
| Water and Sewer (net)                                              | 54,851                             |
| <b>Total Noncurrent Assets</b>                                     | <b>\$ 9,434,479</b>                |
| <b>TOTAL ASSETS</b>                                                | <b>\$ 11,466,132</b>               |
| <b>DEFERRED OUTFLOW OF RESOURCES:</b>                              |                                    |
| Deferred Interest on Refunding                                     | \$ 549,263                         |
| Deferred Outflow of Resources - Pension                            | 52,642                             |
| <b>Total Deferred Outflow of Resources</b>                         | <b>\$ 601,905</b>                  |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>              | <b>\$ 12,068,037</b>               |
| <b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b> |                                    |
| <b>Current Liabilities:</b>                                        |                                    |
| Accounts Payable                                                   | \$ 31,011                          |
| Due To Other Governments                                           | 2,234                              |
| Due to the Borough of Sewickley - Current Portion                  | 100,000                            |
| Accrued Payroll and Withholdings                                   | 4,444                              |
| Bonds Payable - Current Portion                                    | 220,000                            |
| <b>Total Current Liabilities</b>                                   | <b>\$ 357,689</b>                  |
| <b>Noncurrent Liabilities:</b>                                     |                                    |
| Net Pension Liability                                              | \$ 7,015                           |
| Bonds Payable - Long Term Portion                                  | 7,923,407                          |
| <b>Total Noncurrent Liabilities</b>                                | <b>\$ 7,930,422</b>                |
| <b>TOTAL LIABILITIES</b>                                           | <b>\$ 8,288,111</b>                |
| <b>NET POSITION</b>                                                |                                    |
| Net Investment in Capital Assets                                   | \$ 1,549,531                       |
| Restricted - Highways (Liquid Fuels)                               | 29,674                             |
| Restricted - Debt Service                                          | 528,104                            |
| Restricted - Capital Projects                                      | 10,789                             |
| Unrestricted                                                       | 1,661,828                          |
| <b>TOTAL NET POSITION</b>                                          | <b>\$ 3,779,926</b>                |
| <b>TOTAL LIABILITIES AND NET POSITION</b>                          | <b>\$ 12,068,037</b>               |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF ALEPPO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

| Functions/Programs                                | Expenses            | Program Revenues        |                                          |                                        | Net (Expense) Revenue<br>and Changes<br>in Net Position |
|---------------------------------------------------|---------------------|-------------------------|------------------------------------------|----------------------------------------|---------------------------------------------------------|
|                                                   |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Total<br>Governmental<br>Activities                     |
| <b>Governmental Activities:</b>                   |                     |                         |                                          |                                        |                                                         |
| General Government                                | \$ 272,320          | \$ 40,710               | \$ 11,763                                | \$ -                                   | \$ (219,847)                                            |
| Public Safety - Police                            | 116,672             | 819                     | -                                        | -                                      | (115,853)                                               |
| Public Safety - Fire                              | 101,753             | -                       | 12,215                                   | -                                      | (89,538)                                                |
| Public Safety - Other                             | 19,648              | 6,952                   | -                                        | -                                      | (12,696)                                                |
| Public Works - Sanitation                         | 101,627             | 80                      | -                                        | -                                      | (101,547)                                               |
| Public Works - Sewer                              | 50,794              | -                       | -                                        | -                                      | (50,794)                                                |
| Public Works - Highways                           | 807,059             | 14,750                  | 39,426                                   | -                                      | (752,883)                                               |
| Debt Service                                      | 523,932             | -                       | 565,412                                  | -                                      | 41,480                                                  |
| Insurance/Miscellaneous                           | 35,032              | -                       | -                                        | -                                      | (35,032)                                                |
| <b>Total Governmental Activities</b>              | <b>\$ 2,028,837</b> | <b>\$ 63,311</b>        | <b>\$ 628,816</b>                        | <b>\$ -</b>                            | <b>\$ (1,336,710)</b>                                   |
| <b>General Revenues:</b>                          |                     |                         |                                          |                                        |                                                         |
| Taxes:                                            |                     |                         |                                          |                                        |                                                         |
| Property Taxes, Levied for General Purposes (net) |                     |                         |                                          | \$                                     | 475,754                                                 |
| Act 511 and Other Taxes                           |                     |                         |                                          |                                        | 355,668                                                 |
| Payment in Lieu of Taxes                          |                     |                         |                                          |                                        | 216,241                                                 |
| Investment Earnings                               |                     |                         |                                          |                                        | 3,249                                                   |
| Miscellaneous                                     |                     |                         |                                          |                                        | 35,684                                                  |
| <b>Total General Revenues</b>                     |                     |                         |                                          | <b>\$</b>                              | <b>1,086,596</b>                                        |
| <b>Change in Net Position</b>                     |                     |                         |                                          | <b>\$</b>                              | <b>(250,114)</b>                                        |
| Net Position — January 1, 2015 (Restated)         |                     |                         |                                          |                                        | 4,030,039                                               |
| <b>Net Position — December 31, 2015</b>           |                     |                         |                                          | <b>\$</b>                              | <b>3,779,926</b>                                        |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF ALEPPO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

**EXHIBIT C**

|                                                                               | <b>GENERAL<br/>FUND</b>    | <b>DEBT<br/>SERVICE<br/>FUND</b> | <b>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|-------------------------------------------------------------------------------|----------------------------|----------------------------------|---------------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                |                            |                                  |                                             |                                         |
| Cash and Cash Equivalents                                                     | \$ 197,441                 | \$ -                             | \$ -                                        | \$ 197,441                              |
| Investments                                                                   | 1,012,281                  | 440,909                          | 123,041                                     | 1,576,231                               |
| Taxes Receivable, net                                                         | 90,591                     | -                                | -                                           | 90,591                                  |
| Due From Other Governments                                                    | 518                        | 87,195                           | -                                           | 87,713                                  |
| Other Receivables                                                             | 11,602                     | -                                | -                                           | 11,602                                  |
| Prepaid Expenses                                                              | 68,075                     | -                                | -                                           | 68,075                                  |
| <b>TOTAL ASSETS</b>                                                           | <b><u>\$ 1,380,508</u></b> | <b><u>\$ 528,104</u></b>         | <b><u>\$ 123,041</u></b>                    | <b><u>\$ 2,031,653</u></b>              |
| <br><b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>       |                            |                                  |                                             |                                         |
| <b>LIABILITIES:</b>                                                           |                            |                                  |                                             |                                         |
| Accounts Payable                                                              | \$ 31,011                  | \$ -                             | \$ -                                        | \$ 31,011                               |
| Due To Other Governments                                                      | 2,234                      | -                                | -                                           | 2,234                                   |
| Accrued Payroll and Withholdings                                              | 4,444                      | -                                | -                                           | 4,444                                   |
| <b>TOTAL LIABILITIES</b>                                                      | <b><u>\$ 37,689</u></b>    | <b><u>\$ -</u></b>               | <b><u>\$ -</u></b>                          | <b><u>\$ 37,689</u></b>                 |
| <br><b>DEFERRED INFLOW OF RESOURCES:</b>                                      |                            |                                  |                                             |                                         |
| Real Estate Taxes - Delinquent                                                | \$ 77,469                  | \$ -                             | \$ -                                        | \$ 77,469                               |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>                                     | <b><u>\$ 77,469</u></b>    | <b><u>\$ -</u></b>               | <b><u>\$ -</u></b>                          | <b><u>\$ 77,469</u></b>                 |
| <br><b>FUND BALANCES:</b>                                                     |                            |                                  |                                             |                                         |
| Nonspendable (Prepaid Expenses)                                               | \$ 68,075                  | \$ -                             | \$ -                                        | \$ 68,075                               |
| Restricted:                                                                   |                            |                                  |                                             |                                         |
| Highways (Liquid Fuels Fund)                                                  | -                          | -                                | 29,674                                      | 29,674                                  |
| Debt Service                                                                  | -                          | 528,104                          | -                                           | 528,104                                 |
| Capital Projects                                                              | -                          | -                                | 10,789                                      | 10,789                                  |
| Assigned:                                                                     |                            |                                  |                                             |                                         |
| General Fund                                                                  | 3,262                      | -                                | -                                           | 3,262                                   |
| Capital Improvements                                                          | -                          | -                                | 66,829                                      | 66,829                                  |
| Infrastructure                                                                | -                          | -                                | 15,749                                      | 15,749                                  |
| Unassigned                                                                    | 1,194,013                  | -                                | -                                           | 1,194,013                               |
| <b>TOTAL FUND BALANCES</b>                                                    | <b><u>\$ 1,265,350</u></b> | <b><u>\$ 528,104</u></b>         | <b><u>\$ 123,041</u></b>                    | <b><u>\$ 1,916,495</u></b>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW OF<br/>RESOURCES, AND FUND BALANCES</b> | <b><u>\$ 1,380,508</u></b> | <b><u>\$ 528,104</u></b>         | <b><u>\$ 123,041</u></b>                    | <b><u>\$ 2,031,653</u></b>              |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF ALEPPO**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 1,916,495**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$10,726,747 and the accumulated depreciation is \$1,292,268. 9,434,479

Property taxes receivable in the statement of net assets, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds. 77,469

Deferred outflows of resources that are applicable to future periods and, therefore, are not reported in the funds:

Deferred interest on advanced refundings 549,263

Deferred outflows of resources related to pension 52,642

Long term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year end consist of:

|                                  |                |             |
|----------------------------------|----------------|-------------|
| Bonds payable                    | \$ (8,345,000) |             |
| Due to Sewickley Water Authority | (100,000)      |             |
| Net Pension Liability            | (7,015)        |             |
| Unamortized Bond Discount        | 201,593        |             |
|                                  | (8,250,422)    | (8,250,422) |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 3,779,926**

**TOWNSHIP OF ALEPPO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                                              | GENERAL FUND        | DEBT<br>SERVICE<br>FUND | NON-MAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------------------------------|---------------------|-------------------------|------------------------------------|--------------------------------|
| <b>REVENUES</b>                                              |                     |                         |                                    |                                |
| Taxes                                                        | \$ 783,279          | \$ -                    | \$ -                               | \$ 783,279                     |
| Licenses and Permits                                         | 37,645              | -                       | -                                  | 37,645                         |
| Fines and Forfeitures                                        | 818                 | -                       | -                                  | 818                            |
| Interest and Rents                                           | 5,930               | 225                     | 95                                 | 6,250                          |
| Intergovernmental                                            | 294,936             | 565,412                 | 39,426                             | 899,774                        |
| Charges for Services                                         | 7,497               | -                       | -                                  | 7,497                          |
| Miscellaneous                                                | 1,899               | -                       | -                                  | 1,899                          |
| <b>Total Revenue</b>                                         | <b>\$ 1,132,004</b> | <b>\$ 565,637</b>       | <b>\$ 39,521</b>                   | <b>\$ 1,737,162</b>            |
| <b>EXPENDITURES</b>                                          |                     |                         |                                    |                                |
| General Government                                           | \$ 260,024          | \$ -                    | \$ -                               | \$ 260,024                     |
| Public Safety - Police                                       | 102,364             | -                       | -                                  | 102,364                        |
| Public Safety - Fire                                         | 101,753             | -                       | -                                  | 101,753                        |
| Public Safety - Other                                        | 19,648              | -                       | -                                  | 19,648                         |
| Public Works - Sanitation                                    | 101,627             | -                       | -                                  | 101,627                        |
| Public Works - Sewers                                        | 149,114             | 1,680                   | 40,848                             | 191,642                        |
| Public Works - Highways                                      | 723,869             | -                       | 26,068                             | 749,937                        |
| Debt Service                                                 | 20,330              | 334,815                 | -                                  | 355,145                        |
| Insurance                                                    | 34,123              | -                       | -                                  | 34,123                         |
| <b>Total Expenditures</b>                                    | <b>\$ 1,512,852</b> | <b>\$ 336,495</b>       | <b>\$ 66,916</b>                   | <b>\$ 1,916,263</b>            |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ (380,848)</b> | <b>\$ 229,142</b>       | <b>\$ (27,395)</b>                 | <b>\$ (179,101)</b>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                         |                                    |                                |
| Transfers In                                                 | \$ 357,005          | \$ -                    | \$ -                               | \$ 357,005                     |
| Transfers (Out)                                              | -                   | -                       | (357,005)                          | (357,005)                      |
| Bond Proceeds                                                | -                   | -                       | 8,345,000                          | 8,345,000                      |
| Bond Fees (Closing Costs)                                    | -                   | -                       | (172,568)                          | (172,568)                      |
| Transfer to Escrow Fund                                      | -                   | -                       | (8,444,859)                        | (8,444,859)                    |
| Net Original Issue Discount                                  | -                   | -                       | (113,642)                          | (113,642)                      |
| Refund Prior Year Expenses                                   | 33,607              | -                       | -                                  | 33,607                         |
| Refund Prior Year Revenues                                   | (909)               | -                       | -                                  | (909)                          |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ 389,703</b>   | <b>\$ -</b>             | <b>\$ (743,074)</b>                | <b>\$ (353,371)</b>            |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 8,855</b>     | <b>\$ 229,142</b>       | <b>\$ (770,469)</b>                | <b>\$ (532,472)</b>            |
| FUND BALANCE - JANUARY 1, 2015                               | 1,256,495           | 298,962                 | 893,510                            | 2,448,967                      |
| <b>FUND BALANCE - DECEMBER 31, 2015</b>                      | <b>\$ 1,265,350</b> | <b>\$ 528,104</b>       | <b>\$ 123,041</b>                  | <b>\$ 1,916,495</b>            |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF ALEPPO**  
**RECONCILIATION OF THE GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (532,472)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$69,418) recorded in the governmental funds exceeds capital outlays (\$40,847) in the period. (28,571)

Proceeds from long-term debt obligations are recorded as revenues in the governmental funds. However, in the statement of net position, these proceeds and related bond issue costs are recognized as long-term liabilities and contra liabilities. (8,345,000)

Governmental funds report district Township contribution as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (14,308)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position 8,005,000

Bond issuance costs are reported in governmental funds as expenditures. However, in the statement of activities, these costs are capitalized and amortized over the life of the bond issue as amortization expense. 108,019

Deferred interest on bond refundings is recognized in the government-wide financial statements when bonds are refunded and amortized over the life of the bond issue as interest expense. 549,263

Because certain property taxes will not be collected for several months after the Township's year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues, net of a provision for doubtful accounts, increased by this amount. 7,955

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (250,114)**

**TOWNSHIP OF ALEPPO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUND - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                                               | Budgeted Amounts    |                     | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|---------------------|---------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original            | Final               |                             |                                                         |
| <b>REVENUES</b>                                               |                     |                     |                             |                                                         |
| Taxes                                                         | \$ 735,000          | \$ 735,000          | \$ 783,279                  | \$ 48,279                                               |
| Licenses and Permits                                          | 30,000              | 30,000              | 37,645                      | 7,645                                                   |
| Fines and Forfeitures                                         | 1,100               | 1,100               | 818                         | (282)                                                   |
| Interest and Rents                                            | 3,300               | 3,300               | 5,930                       | 2,630                                                   |
| Intergovernmental                                             | 272,293             | 272,293             | 294,936                     | 22,643                                                  |
| Charges for Services                                          | 5,240               | 5,240               | 7,497                       | 2,257                                                   |
| Miscellaneous                                                 | 2,000               | 2,000               | 1,899                       | (101)                                                   |
| <b>Total Revenues</b>                                         | <b>\$ 1,048,933</b> | <b>\$ 1,048,933</b> | <b>\$ 1,132,004</b>         | <b>\$ 83,071</b>                                        |
| <b>EXPENDITURES</b>                                           |                     |                     |                             |                                                         |
| General Government                                            | \$ 273,331          | \$ 273,331          | \$ 260,024                  | \$ 13,307                                               |
| Public Safety - Police                                        | 104,228             | 104,228             | 102,364                     | 1,864                                                   |
| Public Safety - Fire                                          | 96,830              | 96,830              | 101,753                     | (4,923)                                                 |
| Public Safety - Other                                         | 26,828              | 26,828              | 19,648                      | 7,180                                                   |
| Public Works - Sanitation                                     | 103,224             | 103,224             | 101,627                     | 1,597                                                   |
| Public Works - Sewers                                         | 145,000             | 145,000             | 149,114                     | (4,114)                                                 |
| Public Works - Highways                                       | 524,185             | 524,185             | 723,869                     | (199,684)                                               |
| Debt Service                                                  | 20,330              | 20,330              | 20,330                      | -                                                       |
| Insurance                                                     | 34,000              | 34,000              | 34,123                      | (123)                                                   |
| <b>Total Expenditures</b>                                     | <b>\$ 1,327,956</b> | <b>\$ 1,327,956</b> | <b>\$ 1,512,852</b>         | <b>\$ (184,896)</b>                                     |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (279,023)</b> | <b>\$ (279,023)</b> | <b>\$ (380,848)</b>         | <b>\$ (101,825)</b>                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                     |                     |                             |                                                         |
| Reimbursements from VFC                                       | \$ 7,000            | \$ 7,000            | \$ -                        | \$ (7,000)                                              |
| Transfers In                                                  | -                   | -                   | 357,005                     | 357,005                                                 |
| Refund Prior Year Expenses                                    | -                   | -                   | 33,607                      | 33,607                                                  |
| Refund Prior Year Revenues                                    | (5,000)             | (5,000)             | (909)                       | 4,091                                                   |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ 2,000</b>     | <b>\$ 2,000</b>     | <b>\$ 389,703</b>           | <b>\$ 387,703</b>                                       |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (277,023)</b> | <b>\$ (277,023)</b> | <b>\$ 8,855</b>             | <b>\$ 285,878</b>                                       |
| FUND BALANCE - JANUARY 1, 2015                                | -                   | -                   | 1,256,495                   | 1,256,495                                               |
| <b>FUND BALANCE - DECEMBER 31, 2015</b>                       | <b>\$ (277,023)</b> | <b>\$ (277,023)</b> | <b>\$ 1,265,350</b>         | <b>\$ 1,542,373</b>                                     |

The accompanying notes are an integral part of these financial statements



**TOWNSHIP OF ALEPPO**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2015**

|                                           | <b><u>POLICE<br/>PENSION<br/>FUND</u></b> | <b><u>NON-UNIFORM<br/>PENSION FUND</u></b> |
|-------------------------------------------|-------------------------------------------|--------------------------------------------|
| <b>ASSETS</b>                             |                                           |                                            |
| Investments, at Fair Value:               |                                           |                                            |
| Mutual Funds                              | \$ 790,357                                | \$ -                                       |
| PSAB Retirement Trust                     | -                                         | 72,953                                     |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 790,357</u></b>                  | <b><u>\$ 72,953</u></b>                    |
| <b>LIABILITIES</b>                        |                                           |                                            |
| Accounts Payable                          | \$ -                                      | \$ -                                       |
| <b>TOTAL LIABILITIES</b>                  | <b><u>\$ -</u></b>                        | <b><u>\$ -</u></b>                         |
| <b>NET POSITION</b>                       |                                           |                                            |
| Held in Trust for Pension Benefits        | \$ 790,357                                | \$ 72,953                                  |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ 790,357</u></b>                  | <b><u>\$ 72,953</u></b>                    |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 790,357</u></b>                  | <b><u>\$ 72,953</u></b>                    |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF ALEPPO**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                                      | <u>POLICE<br/>PENSION FUND</u> | <u>NON-UNIFORM<br/>PENSION PLAN</u> |
|------------------------------------------------------|--------------------------------|-------------------------------------|
| <b>ADDITIONS</b>                                     |                                |                                     |
| Contributions                                        |                                |                                     |
| Employer                                             | \$ 9,228                       | \$ 9,500                            |
| Total Contributions                                  | <u>\$ 9,228</u>                | <u>\$ 9,500</u>                     |
| Investment Earnings                                  |                                |                                     |
| Net Increase/(Decrease) in Fair Value of Investments | \$ (72,860)                    | \$ (1,515)                          |
| Interest and Dividends                               | 63,382                         | 960                                 |
| Total Investment Earnings                            | <u>\$ (9,478)</u>              | <u>\$ (555)</u>                     |
| Less Investment Expense                              | -                              | -                                   |
| Net Investment Earnings                              | <u>\$ (9,478)</u>              | <u>\$ (555)</u>                     |
| Miscellaneous                                        |                                |                                     |
| Refund Prior Year Expenses                           | \$ 850                         | \$ -                                |
| Total Miscellaneous                                  | <u>\$ 850</u>                  | <u>\$ -</u>                         |
| Total Additions                                      | <u>\$ 600</u>                  | <u>\$ 8,945</u>                     |
| <b>DEDUCTIONS</b>                                    |                                |                                     |
| Benefits                                             | \$ 15,868                      | \$ -                                |
| Administrative Expenses                              | 7,282                          | 1,167                               |
| Total Deductions                                     | <u>\$ 23,150</u>               | <u>\$ 1,167</u>                     |
| <b>CHANGE IN NET POSITION</b>                        | <u>\$ (22,550)</u>             | <u>\$ 7,778</u>                     |
| <b>NET POSITION - JANUARY 1, 2015</b>                | <u>812,907</u>                 | <u>65,175</u>                       |
| <b>NET POSITION - DECEMBER 31, 2015</b>              | <u><u>\$ 790,357</u></u>       | <u><u>\$ 72,953</u></u>             |

The accompanying notes are an integral part of these financial statements

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Aleppo was incorporated under the provisions governing the creation of municipal corporations in the Commonwealth of Pennsylvania. The administration of the Township consists of a five member Board of Commissioners and a Township Manager. Members of the Board of Commissioners are elected by the voting public. The Commissioners appoint a Township Manager to administer the day-to-day operations of the Township. The major functions of the Township include public safety, maintenance of Township infrastructure (roads), maintenance of parks and other recreational facilities for use by Township residents, and general administrative functions necessary to facilitate Township responsibilities and resident needs.

The financial statements of the Township of Aleppo have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Township are discussed below.

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of The Township of Aleppo consists of all funds, departments, boards and agencies that are not legally separate from the Township. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the Township's reporting entity because of the significance of their operating or financial relationships with the Township. Based on the application of the above criteria, the Township of Aleppo has no component units.

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the Township as a whole. These statements include the financial activities of the primary government (The Township of Aleppo), except for fiduciary funds. The statements include the aggregate financial activities of the Township's governmental funds. The Township does not administer any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibits D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for each function of the Township's governmental activities and component unit. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Township has the following program revenues in each activity:

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

- General Government – Cable franchise fees, rental fees and lien letters.
- Public Safety (Police) – State and local fines.
- Public Safety (Fire) – Foreign fire insurance proceeds.
- Public Safety (Other) – Zoning hearing and electric inspection fees, occupancy permits, engineering/legal fee reimbursement and building permits.
- Public Works – Land rental fees, snow removal fees, and sale of recycling bins.

Revenues which are not classified as program revenues are presented as general revenues of the Township. The comparison of direct expenses with program revenues identifies the extent to which the government function is self-financing or draws from the general revenues of the Township.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the Township. Under GASB Statement No. 34, the focus of the fund financial statements is on major funds. Major funds represent the Township's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For The Township of Aleppo, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds are segregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

The Township uses funds (Exhibits C-I) to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major and non-major governmental funds:

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - Established under 'The First Class Township Code' of the Commonwealth of Pennsylvania and is used for the general operations of the Township. Income in this fund is derived mainly from assessed revenue such as real estate taxes, local taxes established under Act 511 and other miscellaneous revenues not designated for other restricted fund purposes. These revenues are used for general ongoing government services such as public safety, public works, general administration of the Township and other miscellaneous operating expenses.

**DEBT SERVICE** (DEBT SERVICE) - The debt service fund is used to account for payments received from the Aleppo Township Authority for the payment of principal and interest on the 2011 Sewer Revenue Bond obligation issues outstanding.

**NON-MAJOR GOVERNMENTAL FUNDS:**

**HIGHWAY AID FUND** (SPECIAL REVENUE) - Established and restricted under Act 655 of the Commonwealth of Pennsylvania. Funding is received from the Commonwealth and is restricted in use for the maintenance, repair and construction of roads, streets and bridges for which the Township is responsible.

**CAPITAL IMPROVEMENTS** (CAPITAL PROJECT) - The capital improvements fund accounts for financial resources used for building and road improvements. The fund is currently financed through operating transfers from the General Fund.

**INFRASTRUCTURE FUND** (CAPITAL PROJECT) - The Infrastructure Fund accounts for financial resources used for future sewer infrastructure improvements. The fund is currently financed through operating transfers from the General Fund.

**CONSTRUCTION FUND** (CAPITAL PROJECT) – Established from the proceeds of the Series of 2011 Guaranteed Sewer Revenue Bond issue for the purpose of construction and renovations to the sewer system.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The Township has two pension trust funds (police pension and non-uniform employee pension).

**BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements (Exhibits A and B) are prepared using the accrual basis of accounting. Government funds (Exhibit C, E, and G) use the modified accrual basis of accounting. Fiduciary funds (Exhibits H and I) use the accrual basis of accounting.

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING (Continued)**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the Township receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Township of Aleppo has determined that the revenues most susceptible to accrual at December 31, 2015 are 1) real estate taxes collected within 60 days of the Township's calendar year-end, 2) delinquent real estate taxes for the month of December, 3) certain Act 511 taxes, 4) cable franchise fees for the fourth quarter of 2015 and 5) other miscellaneous items of income pertaining to the 2015 calendar year received subsequent to December 31, 2015. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred revenue'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at December 31, 2015 are those for which the Board of Commissioner's intention was to expense these items as budgeted for in the 2015 official budget, and for which the Township has incurred an obligation during 2015, but has not paid as of December 31, 2015.

Allocations of cost, such as depreciation, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**BUDGETS**

In December of 2014, the Township of Aleppo adopted its 2015 annual budget for its General Fund totaling \$1,332,956 in accordance with the provisions of the Commonwealth of Pennsylvania Township Code. The budget is prepared utilizing the modified accrual method of accounting in accordance with generally accepted accounting principles. Budgetary transfers among various expenditure line items are performed as approved by the Board of Commissioners. Actual expenditures of the General Fund exceeded the budgetary appropriation for 2015 as reflected in Exhibit G. All appropriations lapse at the end of each calendar year.

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CASH AND CASH EQUIVALENTS**

For purposes of these basic financial statements, cash and cash equivalents include amounts in demand deposit accounts and all highly liquid short-term investments with original maturity terms of less than three months.

**INVESTMENTS**

**Governmental Funds:**

Provisions of Section 1705.1 of the First Class Township Code authorize the following investments:

- I. U.S. Treasury Bills.
- II. Short-term obligations of the United States Government or its agencies or instrumentalities.
- III. Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- IV. Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of these governmental units.
- V. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

Governmental fund type investments include funds pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania Treasurer's INVEST Program for Local Governments, and money market funds invested with Wells Fargo. PLGIT and INVEST funds are stated at amortized cost, which approximates market value. The Township's portfolio is in compliance with these statutes at December 31, 2015.

**Fiduciary Funds:**

The pension trust funds, whose deposits and investments are held separately from the Township, are assigned to professional money managers that specialize in certain types of investments. The investment alternatives of these money managers are generally restricted to those in which they specialize. Investments include monies invested by the Township with Nationwide Trust Company and Investment Services for its' police pension plan and the PSAB Municipal Retirement Trust for its' non-uniform pension plan.

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**RECEIVABLES**

Receivables are reflected at net realizable value as of December 31, 2015.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as 'due from/to other funds' on the balance sheet. For the purposes of the government-wide statement of net position, governmental inter-fund receivables and payables have been eliminated. During 2015, the Capital Improvements Fund transferred \$357,005 to the General Fund for reimbursements of expenses paid out of the General Fund.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets are reported as part of governmental activities on the government-wide statement of net position

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The Township maintains a capitalization dollar threshold of \$1,000. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities. All reported capital assets, except land, are depreciated using the straight-line method over the following useful lives:

| <b><u>CATEGORY</u></b>       | <b><u>YEARS</u></b> |
|------------------------------|---------------------|
| Site Improvements            | 20 years            |
| Buildings and Improvements   | 10-50 years         |
| Equipment                    | 5-15 years          |
| Vehicles                     | 5-7 Years           |
| Sewer Plant and Improvements | 40 Years            |
| Infrastructure               | 75 Years            |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).



**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment within 60 days of the end of the fiscal year-end, are considered to be paid with current available financial resources. Capital leases and other long-term obligations, if any, that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The Township's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy Township obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of all other net position that does not meet the definition of 'restricted' or 'net investment in capital assets'.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Township's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The Township incurred bond issue costs of \$172,568 during calendar year 2015

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**UNEARNED REVENUE**

Unearned revenue arises when the Township receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet reports a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and so will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**FUND BALANCE**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory and prepaid expenses) or are required to be maintained intact
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance – amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Township intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- Unassigned fund balance – amounts that are available for any purpose

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Township's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**IMPACT OF RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement amends Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine *all* such amounts. The provisions of this Statement were required to be applied simultaneously with the provisions of GASB 68.

The effect of implementing GASB Statements No. 68 and 71 on the Township's net position is described in Note 14.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**DEPOSITS:**

At December 31, 2015, the Township of Aleppo had the following carrying values on its cash and cash equivalent accounts:

|              | <b><u>Bank Balance</u></b> | <b><u>Book Balance</u></b> |
|--------------|----------------------------|----------------------------|
| General Fund | <u>\$ 201,688</u>          | <u>\$ 197,441</u>          |

The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government account is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificate of deposit.

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**DEPOSITS: (Continued)**

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2015 the Township bank balance total is not exposed to custodial credit risk as this amount is insured in full by the Federal Deposit Insurance Corporation (FDIC). In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, deposits of the Township if any, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**INVESTMENTS:**

The fair value and maturity term of the Township's investments as of December 31, 2015 is as follows:

|                        | <u>Fair Value</u>   | <u>No Stated<br/>Maturity</u> |
|------------------------|---------------------|-------------------------------|
| <b>Governmental:</b>   |                     |                               |
| PLGIT                  | \$ 1,549,693        | \$ 1,549,693                  |
| INVEST                 | 15,749              | 15,749                        |
| Wells Fargo            | 10,789              | 10,789                        |
|                        | <u>\$ 1,576,231</u> | <u>\$ 1,576,231</u>           |
| <br><b>Fiduciary:</b>  |                     |                               |
| Mutual/Liquidity Funds | \$ 790,357          | \$ 790,357                    |
| PSAB                   | 72,953              | 72,953                        |
|                        | <u>\$ 863,310</u>   | <u>\$ 863,310</u>             |

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania Treasurer's INVEST Program for Local Governments is to enable governmental units to pool their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares. These funds are rated by a nationally recognized statistical rating organization. Copies of the PLGIT and INVEST annual reports can be obtained by contacting their respective websites of [www.plgit.com](http://www.plgit.com) and [investoperations@patreasury.org](mailto:investoperations@patreasury.org).

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that the Township will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. PLGIT, INVEST, Wells Fargo, Nationwide Trust Company, and PSAB Funds represent mutual funds, or have the characteristics of open-end mutual funds, and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Township does not have a policy that would limit its investment choices to those with certain credit ratings.

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS: (Continued)**

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township has no formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations.

**Interest Rate Risk:**

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:**

The Township places no limit on the amount it may invest in any one issuer.

**NOTE 3 - PROPERTY TAXES**

The Township of Aleppo levies property taxes March 1 of each calendar year. The calendar dates for payment of these taxes is as follows:

**PAYMENT PERIOD**

|                          |                   |
|--------------------------|-------------------|
| March 1 – April 30, 2015 | (Discount period) |
| May 1 - June 30, 2015    | (Face period)     |
| July 1 and after         | (Penalty period)  |

Taxpayers are entitled to a 2% discount if taxes are paid prior to May 1st. Collections after June 30th are assessed a 10% penalty. Unpaid taxes are sent to the Townships Delinquent Real Estate Tax Collector for collection or subsequent lien with Allegheny County. Unpaid taxes as of December 31, 2015 totaling \$15,983 represent 3.4% of the original assessment for 2015 of \$475,709. The tax millage assessment for the 2015 calendar year is 3.5 mills on the assessed value of land and buildings, which represents \$3.50 of revenue for every \$1,000 of assessed value.

Taxes receivable as shown in the government-wide statement of net position includes prior year property taxes of \$103,292 net of an estimated allowance for doubtful accounts of \$25,823. For purposes of the governmental fund financial statements, the above property taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount (\$77,469) is equally off-set as a credit to deferred inflow of resources in the fund financial statements.

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 3 - PROPERTY TAXES (Continued)**

Taxes receivable are comprised of the following at December 31, 2015:

|                                    |           |               |
|------------------------------------|-----------|---------------|
| Property and Per Capita Taxes, Net | \$        | 77,469        |
| Act 511 Taxes                      |           | 6,716         |
| Act 77 Sales Tax                   |           | 6,406         |
|                                    |           | 6,406         |
|                                    | <b>\$</b> | <b>90,591</b> |

**NOTE 4 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2015 calendar year was as follows:

|                                                        | <b>Balance<br/>1/1/2015</b> | <b>Additions</b>   | <b>Deductions</b> | <b>Balance<br/>12/31/2015</b> |
|--------------------------------------------------------|-----------------------------|--------------------|-------------------|-------------------------------|
| Land                                                   | \$ 187,300                  | \$ -               | \$ -              | \$ 187,300                    |
| Site Improvements                                      | 162,271                     | -                  | -                 | 162,271                       |
| Building and Improvements                              | 613,862                     | -                  | -                 | 613,862                       |
| Furniture and Equipment                                | 106,682                     | -                  | -                 | 106,682                       |
| Vehicles                                               | 252,576                     | -                  | -                 | 252,576                       |
| Infrastructure                                         | 1,016,018                   | -                  | -                 | 1,016,018                     |
| Sewer System                                           | 242,101                     | -                  | -                 | 242,101                       |
| Sewer Infrastructure                                   | 8,105,091                   | 40,847             | -                 | 8,145,938                     |
|                                                        | <b>\$ 10,685,901</b>        | <b>\$ 40,847</b>   | <b>\$ -</b>       | <b>\$ 10,726,748</b>          |
| <br><b>Less: Accumulated depreciation</b>              |                             |                    |                   |                               |
| Site Improvements                                      | \$ (111,213)                | \$ (5,447)         | \$ -              | \$ (116,660)                  |
| Building and Improvements                              | (277,736)                   | (15,530)           | -                 | (293,266)                     |
| Furniture and Equipment                                | (92,029)                    | (5,393)            | -                 | (97,422)                      |
| Vehicles                                               | (134,342)                   | (22,564)           | -                 | (156,906)                     |
| Infrastructure                                         | (427,219)                   | (13,546)           | -                 | (440,765)                     |
| Sewer System                                           | (180,312)                   | (6,938)            | -                 | (187,250)                     |
|                                                        | <b>\$ (1,222,851)</b>       | <b>\$ (69,418)</b> | <b>\$ -</b>       | <b>\$ (1,292,269)</b>         |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <b>\$ 9,463,050</b>         | <b>\$ (28,571)</b> | <b>\$ -</b>       | <b>\$ 9,434,479</b>           |

Depreciation expense was allocated to governmental functions as follows:

|                    |           |               |
|--------------------|-----------|---------------|
| General Government | \$        | 12,296        |
| Public Works       |           | 57,122        |
|                    |           | 69,418        |
|                    | <b>\$</b> | <b>69,418</b> |

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 5 – DUE FROM OTHER GOVERNMENTS**

The 'due from other governmental units' total of \$87,713 represents amounts due the Township for 2015 from Allegheny County for fines and forfeitures of \$268, and the Aleppo Township Authority for rent of \$250 and \$87,195 for debt service payments.

**NOTE 6 – OTHER RECEIVABLES**

The 'other receivables' total of \$11,602 represents 4<sup>th</sup> quarter 2015 cable franchise fees due the Township of \$9,274 and accrued interest of \$2,328.

**NOTE 7 - DEFERRED OUTFLOW AND INFLOW OF RESOURCES**

Deferred outflow of resources is comprised of the following at December 31, 2015:

|                                | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------|------------------------------------|-------------------------------|
| Deferred Interest on Refunding | \$ 549,263                         | \$ -                          |
| Pension                        | 52,642                             | -                             |
|                                | \$ 601,905                         | \$ -                          |

Deferred inflow of resources is comprised of the following at December 31, 2015:

|                                    | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>GOVERNMENTAL<br/>FUNDS</b> |
|------------------------------------|------------------------------------|-------------------------------|
| Delinquent Property Taxes (Note 3) | \$ -                               | \$ 77,469                     |

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 – LONG-TERM DEBT OBLIGATIONS**

**GUARANTEED SEWER REVENUE BOND – SERIES OF 2015**

On May 20, 2015, the Township of Aleppo issued Guaranteed Sewer Revenue Bonds, Series of 2015 in the amount of \$8,345,000 for the purpose of 1) advance refund of the Township's outstanding Guaranteed Sewer Revenue Bonds, Series of 2011, currently outstanding in the aggregate principal amount of \$7,885,000 and, 2) pay related costs and expenses, including costs of issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. Interest rates range between 1.2 and 4.1% with the bonds maturing on December 1, 2041. The Township has pledged its sewer revenues as security for the bonds to the extent of any deficiency in such available sewer revenues, and its full faith, credit and taxing power. The bonds provide for early redemption options for the Township as more fully described in the detailed Official Statement. A summary of the Township's Guaranteed Sewer Revenue Bonds outstanding at December 31, 2015 is as follows:

| <b>Year End</b> |                            |                            |                             |
|-----------------|----------------------------|----------------------------|-----------------------------|
| <b>Dec 31</b>   | <b>Principal</b>           | <b>Interest</b>            | <b>Total</b>                |
| 2016            | \$ 220,000                 | \$ 295,536                 | \$ 515,536                  |
| 2017            | 220,000                    | 292,896                    | 512,896                     |
| 2018            | 225,000                    | 288,496                    | 513,496                     |
| 2019            | 230,000                    | 283,994                    | 513,994                     |
| 2020            | 230,000                    | 279,394                    | 509,394                     |
| 2021-2025       | 1,260,000                  | 1,309,770                  | 2,569,770                   |
| 2026-2030       | 1,475,000                  | 1,088,100                  | 2,563,100                   |
| 2031-2035       | 1,800,000                  | 768,300                    | 2,568,300                   |
| 2036-2040       | 2,195,000                  | 376,364                    | 2,571,364                   |
| 2041            | 490,000                    | 20,090                     | 510,090                     |
|                 | <b><u>\$ 8,345,000</u></b> | <b><u>\$ 5,002,940</u></b> | <b><u>\$ 13,347,940</u></b> |

In connection with the Series of 2015 Guaranteed Sewer Revenue Bond issue, the Township paid \$113,642 in bond discount costs. In addition, the Township has \$91,841 remaining in unamortized bond discount costs from its refunded Series of 2011 Guaranteed Sewer Revenue Bonds. These costs are being amortized on a straight-line basis over the life of the bond issue. The un-amortized amount of these costs totaling \$201,593 is reflected in the governmental activities column on the government-wide statement of net position as a reduction to bonds payable long term portion.

The following represents the changes in the Township's long-term liabilities during the 2015 calendar year:

|                         | <b>BALANCE</b>             |                            |                            | <b>BALANCE</b>             | <b>DUE WITHIN</b>        |
|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
|                         | <b>1/1/2015</b>            | <b>ADDITIONS</b>           | <b>REDUCTIONS</b>          | <b>12/31/2015</b>          | <b>ONE YEAR</b>          |
| General Obligation Note | \$ 20,000                  | \$ -                       | \$ 20,000                  | \$ -                       | \$ -                     |
| General Obligation Bond | 7,885,000                  | 8,345,000                  | 7,885,000                  | 8,345,000                  | 220,000                  |
|                         | <b><u>\$ 7,905,000</u></b> | <b><u>\$ 8,345,000</u></b> | <b><u>\$ 7,905,000</u></b> | <b><u>\$ 8,345,000</u></b> | <b><u>\$ 220,000</u></b> |



**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 9 – DUE TO THE BOROUGH OF SEWICKLEY**

During 2013, the Township of Aleppo entered into a verbal agreement with the Borough of Sewickley to pay tap fees related to the Act 537 Plan project. The verbal agreement stipulates that the Township will pay \$100,000 per year over the next four years to the Borough, interest free, with the first payment being made in 2013 and maturing in 2016. The Township made a payment of \$100,000 during 2015, balance as of December 31, 2015 is \$100,000.

**NOTE 10 - TOWNSHIP PENSION PLANS**

**POLICE PENSION PLAN**

**Plan Administration**

The Township of Aleppo Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established December 30, 1988 (adopted pursuant to Act 600 of 1956). The Plan was amended and restated effective January 1, 2001. The Plan is governed by the Board of Commissioners of the Township of Aleppo which may amend plan provisions, and which is responsible for the management of Plan assets. The Board of Commissioners has delegated the authority to manage certain Plan assets to Nationwide Trust Company. The plan is required to file Form PC-201C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2015.

**Plan Membership**

The Plan provides pensions for full-time uniformed employees of the Township. As of December 31, 2015, pension plan membership consists of:

|                                                                         |   |
|-------------------------------------------------------------------------|---|
| Active employees                                                        | - |
| Retirees and beneficiaries currently receiving benefits                 | 2 |
| Terminated employees entitled to benefits<br>but not yet receiving them | 3 |
| Total                                                                   | 5 |

**Benefit Provisions**

A summary of the plan's benefit provisions are as follows:

- ELIGIBILITY** - All participants are eligible for retirement benefits provided that they have completed 25 years of aggregate service as a full-time Township employee and have attained the age of 55.
- RETIREMENT BENEFITS** - Based on one-half of the participant's monthly average salary earned over the final 60 month period prior to retirement or other severance.
- DEATH BENEFITS** - A monthly benefit equal to 50% of the benefit the participant was receiving or was eligible to receive payable to the surviving spouse for life.

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 10 - TOWNSHIP PENSION PLANS (Continued)**

**POLICE PENSION PLAN** (Continued)

- DISABILITY BENEFITS** - A monthly benefit equal to the greater of 50% of average monthly salary during the 36 months prior to disability date, or 50% of salary at date the disability was incurred offset by any social security benefits received for the same condition.
- TERMINATION** - The plan provides terminated employees with a return of their contribution plus interest at 4%.
- VESTING** - Participants are entitled to a vested deferred benefit after 12 years of service.
- FUNDING** - Employee contributions are 5%.

**Contributions**

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The State provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state contributions must be funded by the employer.

Employees are required to contribute 5% of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining. Currently, there are no active employees in the plan; therefore, there are no employee contributions at this time.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or plan earnings.

**Deposits**

At December 31, 2015, the Plan held no deposits.

**Investments**

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan has no formally adopted investment policy.

*Credit Risk* for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. The credit ratings of the plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated as follows:

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 10 - TOWNSHIP PENSION PLANS (Continued)**

**POLICE PENSION PLAN (Continued)**

**Investments (Continued)**

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Credit Rating</u> |
|------------------------|-------------------|----------------------|
| Money Market Funds     | \$ 35,042         | Not Rated            |
| Fixed Income Funds     | 163,344           | Not Rated            |
| Total                  | <u>\$ 198,386</u> |                      |

*Concentration of Credit Risk* is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2015, the Plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

*Interest Rate Risk* for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk. The maturities of the plan's debt investments are as follows:

| <u>Investment Type</u>      | <u>Fair Value</u> | <u>Investment Maturities (In Years)</u> |                   |                  |                     |
|-----------------------------|-------------------|-----------------------------------------|-------------------|------------------|---------------------|
|                             |                   | <u>Less Than 1</u>                      | <u>1 - 5.99</u>   | <u>6-10</u>      | <u>More Than 10</u> |
| Fixed Income Mutual Funds * | 163,344           | -                                       | 140,064           | 23,280           | -                   |
| Total                       | <u>\$ 163,344</u> | <u>\$ -</u>                             | <u>\$ 140,064</u> | <u>\$ 23,280</u> | <u>\$ -</u>         |

\*average portfolio duration

**Net Pension Liability**

The components of the net pension liability at December 31, 2015 are as follows:

|                             |                 |
|-----------------------------|-----------------|
| Total pension liability     | \$ 797,372      |
| Plan fiduciary net position | <u>790,357</u>  |
| Net pension liability       | <u>\$ 7,015</u> |

Plan fiduciary net position as a percentage of the total pension liability – 99.1%

The total pension liability was determined by an actuarial valuation as of January 1, 2015 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Actuarial assumptions:

|                   |                                                                                                                                                                               |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation:        | 3.0%                                                                                                                                                                          |
| Salary increases: | 5.0% including inflation                                                                                                                                                      |
| Mortality:        | RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives. Rates are projected to improve with 75% of scale AA. |

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 10 - TOWNSHIP PENSION PLANS (Continued)**

**POLICE PENSION PLAN** (Continued)

**Net Pension Liability (Continued)**

Expected Long-Term  
Rate of Return: 7.0%, applied to all periods

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2015 are summarized as follows:

| Asset Class               | Long Term<br>Expected Real ROR |
|---------------------------|--------------------------------|
| Equities                  | 6.3%                           |
| Fixed Income              | 2.0%                           |
| Cash and Cash Equivalents | 0.0%                           |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

The following shows the changes in the Total Pension Liability (TPL), the Plan Fiduciary Net Position (fair value of plan assets), and the Net Pension Liability (NPL) as of the Measurement date (12/31/2014):

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 10 - TOWNSHIP PENSION PLANS (Continued)**

**POLICE PENSION PLAN (Continued)**

**Net Pension Liability (Continued)**

|                                                       | <b>Total Pension<br/>Liability<br/>( a )</b> | <b>Plan Fiduciary<br/>Net Position<br/>( b )</b> | <b>Net Pension<br/>Liability<br/>( c )</b> |
|-------------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------------------------------------|
| <b>Balances at 12/31/14</b>                           | \$ 753,822                                   | \$ 813,757                                       | \$ (59,935)                                |
| Changes for the year:                                 |                                              |                                                  |                                            |
| Service cost                                          | -                                            | -                                                | -                                          |
| Interest                                              | 52,692                                       | -                                                | 52,692                                     |
| Changes of benefits                                   | -                                            | -                                                | -                                          |
| Changes of assumptions                                | -                                            | -                                                | -                                          |
| Differences between expected<br>and actual experience | 6,726                                        | -                                                | 6,726                                      |
| Contributions - employer                              | -                                            | 9,228                                            | (9,228)                                    |
| Contributions - employee                              | -                                            | -                                                | -                                          |
| Net investment income                                 | -                                            | (9,478)                                          | 9,478                                      |
| Benefit payments                                      | (15,868)                                     | (15,868)                                         | -                                          |
| Administrative expense                                | -                                            | (7,282)                                          | 7,282                                      |
| Other changes                                         | -                                            | -                                                | -                                          |
| Net changes                                           | <u>43,550</u>                                | <u>(23,400)</u>                                  | <u>66,950</u>                              |
| <b>Balances at 12/31/15</b>                           | <u>\$ 797,372</u>                            | <u>\$ 790,357</u>                                | <u>\$ 7,015</u>                            |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The following shows the sensitivity of the NPL to the discount rate with two additional measures, plus and minus one percent from the rate used for the disclosure.

|                       | <b>1% Decrease<br/>(6.0%)</b> | <b>Current<br/>Discount Rate<br/>(7.0%)</b> | <b>1% Increase<br/>(8.0%)</b> |
|-----------------------|-------------------------------|---------------------------------------------|-------------------------------|
| Net pension liability | \$ 98,267                     | \$ 7,015                                    | \$ (69,319)                   |

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 10 - TOWNSHIP PENSION PLANS (Continued)**

**POLICE PENSION PLAN (Continued)**

**Deferred Outflows and Deferred Inflows of Resources related to Pensions**

At December 31, 2015, the Plan reported the following deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

|                                                                                  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                               | \$ -                                          | \$ -                                         |
| Changes of assumptions                                                           | -                                             | -                                            |
| Net difference between projected and actual earnings on pension plan investments | 52,642                                        | -                                            |
| TOTAL                                                                            | \$ 52,642                                     | \$ -                                         |

Amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

| <b>December 31,</b> |    |        |
|---------------------|----|--------|
| 2016                | \$ | 13,160 |
| 2017                |    | 13,160 |
| 2018                |    | 13,160 |
| 2019                |    | 13,162 |
| 2020                |    | -      |
| Thereafter          |    | -      |

**NON-UNIFORM PENSION PLAN** - The Township of Aleppo Non-uniform Pension Plan is a single-employer defined contribution pension plan. The Plan was established effective January 1, 1998 and entered into a Joinder Agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT) that same date. The Plan was restated effective December 31, 2002. The Plan is governed by the Aleppo Township Board of Commissioners who are responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to PSABMRT.

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 10 - TOWNSHIP PENSION PLANS (Continued)**

Plan membership as of December 31, 2015 was comprised of:

|                                                                         |   |
|-------------------------------------------------------------------------|---|
| Active employees                                                        | 3 |
| Retirees and beneficiaries currently receiving benefits                 | 0 |
| Terminated employees entitled to benefits<br>but not yet receiving them | 0 |
| Total                                                                   | 3 |

The summary of the plans provisions are as follows:

- PARTICIPANTS** - All full-time non-uniformed employees of the Township.
- ELIGIBILITY** - All participants are eligible for retirement benefits provided that they have attained the age of sixty-two
- BENEFITS** - The fair market value of the participant's account paid as a lump sum or applied to the purchase of a single premium annuity contract.
- TERMINATION OR DEATH** - The plan provides the deceased members beneficiary with the fair market value of the member's account.
- FUNDING** - Employee contributions are not currently required or permitted. The Township is required to contribute \$2,000 per year (or ratio for partial year) for each eligible participant. The Township's contribution for 2015 was \$9,500.
- VESTING** - Participant are 100% vested after three years of service.

**FUNDING REQUIREMENTS**

On December 18, 1984, act 205 was passed into law, and is known as the "Municipal Pension Plan Funding Standard and Recovery Act." The act mandates actuarial funding standards, establishes a recovery program for financially distressed pension plans and provides for the distribution of the tax on the premiums of foreign fire insurance companies.

The act requires minimum funding standards based on the most recent actuarial valuation report, including normal cost and administrative expense requirements and an amortization contribution of the unfunded actuarial accrued liability. For financially distressed pension plans, the act provides for delayed implementation of this funding standard over either 10 or 15 years. In addition, supplemental state aid is available to all eligible municipalities and will be paid from the supplemental state assistance account.

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 10 - TOWNSHIP PENSION PLANS (Continued)**

In addition to member contributions, the pension plan may also receive an annual allocation from the General Municipal Pension System State Aid Program. The entire proceeds of the insurance premium tax on foreign casualty insurance companies and any investment income earned on those proceeds, and the portion of the proceeds of the insurance premium tax on foreign fire insurance companies which represents the amount of the distributions applicable to paid firefighters, and any investment income earned on the amount of those distributions are specifically designated for municipal pension plans. Any remaining obligation with respect to the pension plan shall be paid by the municipality.

The plan's investment income was used to fund administrative costs. There are no long-term contracts for contributions as of December 31, 2015. In addition, there are no assets legally reserved for purposes other than the payment of plan member benefits.

**NOTE 11 - RISK MANAGEMENT**

The Township of Aleppo is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**NOTE 12 - CONTINGENT LIABILITIES**

**LEGAL MATTERS**

The Township of Aleppo is a party to a suit filed by Masonic Homes of the Grand Lodge of Pennsylvania. Masonic Homes is objecting to the new sewer rates adopted by the Township and the Aleppo Township Authority in January of 2013 to cover the cost of the sewer system capital project and the debt service related to the bond issue (Note 8) floated to fund the project. This issue remains unresolved as of the date of this report.

**STATE FUNDING**

The Township of Aleppo's state funded programs are subject to audit by various governmental agencies. The Township is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.



**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 13– SEWER SYSTEM AGREEMENT**

On December 28, 2010, the Township of Aleppo entered into an agreement with the Township of Aleppo Authority whereby the Authority transferred ownership and control of the Sewer System to the Township for the life of the Township's debt obligations associated with its implementation of an Act 537 Plan. The Act 537 Plan calls for the Township to construct lines, pump stations, force mains, interceptors, interconnects, and other sanitary sewage facilities necessary to expand the Sewer System with public financing. As part of the agreement, the Township has designated the Authority as an Operating Authority to continue to operate and manage the Sewer System. Complete details regarding the responsibilities of both parties are contained within the Agreement, a copy of which can be obtained from the Township business office. The term of the agreement shall be for a period of thirty years.

**NOTE 14 - PRIOR PERIOD ADJUSTMENT - CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended December 31, 2015, the Township implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Net position as of December 31, 2014 has been restated to include implementation of GASB Nos. 68 and 71 as follows

|                                                                             |                            |
|-----------------------------------------------------------------------------|----------------------------|
| Net Position, December 31, 2014                                             | \$ 3,970,104               |
| Recognition of Deferred Outflows (Inflows) of Resources related to Pensions | -                          |
| Recognition of Net Pension Liability                                        | <u>59,935</u>              |
| Prior Period Adjustment                                                     | <u>\$ 59,935</u>           |
| Restated Net Position, December 31, 2014                                    | <u><u>\$ 4,030,039</u></u> |

**NOTE 15 – FUTURE GASB PRONOUNCEMENTS**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objectives of this Statement are to address issues regarding the measurement of fair value and the applicability of fair value guidance. This Statement will be effective for December 31, 2016.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The primary objectives of this Statement are to establish requirements for pensions and pension plans not administered through trusts and to amend certain provisions of GASB Statements 67 and 68. This Statement will be effective for December 31, 2017.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The primary objectives of this Statement are to address the financial reports of defined benefit OPEB plans administered through a trust and to address certain disclosure requirements for such plans. This Statement will be effective for December 31, 2017

**TOWNSHIP OF ALEPPO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 15 – FUTURE GASB PRONOUNCEMENTS (Continued)**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to address the reporting requirements for OPEB liabilities and the related disclosure requirements. This Statement will be effective for December 31, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The primary objectives of this Statement are to reduce the GAAP hierarchy to two categories of authoritative GAAP, to provide implementation guidance, and to address the use of authoritative and non-authoritative literature. This Statement will be effective for December 31, 2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement defines tax abatements and provides disclosure guidance for governments that have granted tax abatements. This Statement will be effective for December 31, 2017.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for December 31, 2016.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for December 31, 2016.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for December 31, 2017.

The effects of the implementation of GASB Statements No. 72 through 80 on the Township's financial statements have not yet been determined

**NOTE 16 – SUBSEQUENT EVENTS**

Management has determined that there are no additional events subsequent to December 31, 2015 through the date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

***SUPPLEMENTAL  
SCHEDULES***

**TOWNSHIP OF ALEPPO**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                      | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>OVER &lt;UNDER&gt;</u><br><u>BUDGET</u> |
|--------------------------------------|-------------------|-------------------|--------------------------------------------|
| <b><u>TAXES:</u></b>                 |                   |                   |                                            |
| Real estate tax - current            | \$ 460,000        | \$ 454,663        | \$ (5,337)                                 |
| Real estate tax - prior              | -                 | 3,976             | 3,976                                      |
| Real estate tax - delinquent         | 10,000            | 9,160             | (840)                                      |
| Deed transfer tax                    | 15,000            | 23,543            | 8,543                                      |
| Earned income tax - current          | 180,000           | 223,678           | 43,678                                     |
| EMST - current                       | 30,000            | 40,428            | 10,428                                     |
| BPT- current                         | 40,000            | 27,830            | (12,170)                                   |
| <b>TOTAL TAXES</b>                   | <b>\$ 735,000</b> | <b>\$ 783,279</b> | <b>\$ 48,279</b>                           |
| <b><u>LICENSES AND PERMITS:</u></b>  |                   |                   |                                            |
| Cable franchise fee                  | \$ 30,000         | \$ 37,645         | \$ 7,645                                   |
| <b>TOTAL LICENSES AND PERMITS</b>    | <b>\$ 30,000</b>  | <b>\$ 37,645</b>  | <b>\$ 7,645</b>                            |
| <b><u>FINES AND FORFEITURES:</u></b> |                   |                   |                                            |
| Vehicle code violations              | \$ 1,000          | \$ 818            | \$ (182)                                   |
| Ordinance violations                 | 100               | -                 | (100)                                      |
| <b>TOTAL FINES AND FORFEITURES</b>   | <b>\$ 1,100</b>   | <b>\$ 818</b>     | <b>\$ (282)</b>                            |
| <b><u>INTEREST AND RENTS:</u></b>    |                   |                   |                                            |
| Interest earnings                    | \$ 300            | \$ 2,930          | \$ 2,630                                   |
| Rental - Land                        | 600               | 600               | -                                          |
| Rental - Office                      | 2,400             | 2,400             | -                                          |
| <b>TOTAL INTEREST AND RENTS</b>      | <b>\$ 3,300</b>   | <b>\$ 5,930</b>   | <b>\$ 2,630</b>                            |
| <b><u>INTERGOVERNMENTAL:</u></b>     |                   |                   |                                            |
| Recycling Grant                      | \$ 150            | \$ -              | \$ (150)                                   |
| State Snow Removal                   | 12,906            | 5,453             | (7,453)                                    |
| Municipal pension state aid          | 8,000             | 11,763            | 3,763                                      |
| PURTA                                | 1,300             | 920               | (380)                                      |
| Foreign Fire Ins                     | -                 | 12,215            | 12,215                                     |
| Alcoholic Beverage Licenses          | -                 | 200               | 200                                        |
| Act 13 Impact Fees                   | -                 | 178               | 178                                        |
| County Snow Removal                  | 8,697             | 8,697             | 0                                          |
| Sales Tax                            | 25,000            | 39,269            | 14,269                                     |
| P.I.L.O.T.                           | 216,240           | 216,241           | 1                                          |
| <b>TOTAL INTERGOVERNMENTAL</b>       | <b>\$ 272,293</b> | <b>\$ 294,936</b> | <b>\$ 22,643</b>                           |
| <b><u>CHARGES FOR SERVICES:</u></b>  |                   |                   |                                            |
| Engineering/Legal Fees               | \$ 300            | \$ -              | \$ (300)                                   |
| Zoning Board Fees                    | 300               | -                 | (300)                                      |
| Subdivision/Land                     | 600               | 1,650             | 1,050                                      |
| Copies/Maps                          | 20                | -                 | (20)                                       |
| Lien Letters                         | 400               | 465               | 65                                         |
| Alarm Permit Fee                     | 100               | -                 | (100)                                      |
| Building Permit                      | 2,500             | 4,087             | 1,587                                      |
| Occupancy Permit                     | 1,000             | 1,215             | 215                                        |
| Sale of Recycling Bins               | 20                | 80                | 60                                         |
| <b>TOTAL CHARGES FOR SERVICES</b>    | <b>\$ 5,240</b>   | <b>\$ 7,497</b>   | <b>\$ 2,257</b>                            |

**TOWNSHIP OF ALEPPO**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL REVENUE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                         | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>OVER &lt;UNDER&gt;</u><br><u>BUDGET</u> |
|-----------------------------------------|----------------------------|----------------------------|--------------------------------------------|
| <b>REVENUE (CONTINUED)</b>              |                            |                            |                                            |
| <b><u>MISCELLANEOUS:</u></b>            |                            |                            |                                            |
| Miscellaneous                           | \$ 2,000                   | \$ 1,899                   | \$ (101)                                   |
| <b>TOTAL MISCELLANEOUS</b>              | <b><u>\$ 2,000</u></b>     | <b><u>\$ 1,899</u></b>     | <b><u>\$ (101)</u></b>                     |
| <b><u>OTHER FINANCIAL SOURCES:</u></b>  |                            |                            |                                            |
| Reimbursements from VFC                 | \$ 7,000                   | \$ -                       | \$ (7,000)                                 |
| Transfer from Capital Improvements Fund | -                          | 357,005                    | 357,005                                    |
| Refund of Prior Year Expense            | -                          | 33,607                     | 33,607                                     |
| <b>TOTAL FINANCIAL SOURCES</b>          | <b><u>\$ 7,000</u></b>     | <b><u>\$ 390,612</u></b>   | <b><u>\$ 383,612</u></b>                   |
| <b>TOTAL REVENUE</b>                    | <b><u>\$ 1,055,933</u></b> | <b><u>\$ 1,522,616</u></b> | <b><u>\$ 466,683</u></b>                   |

**TOWNSHIP OF ALEPPO**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                       | BUDGET            | ACTUAL            | OVER <UNDER><br>BUDGET |
|---------------------------------------|-------------------|-------------------|------------------------|
| <b>GENERAL GOVERNMENT:</b>            |                   |                   |                        |
| <b>BOARD OF COMMISSIONERS:</b>        |                   |                   |                        |
| Salaries - elected officials          | \$ 6,000          | \$ 5,600          | \$ (400)               |
| FICA                                  | 480               | 428               | (52)                   |
| Bonding                               | 7,000             | 9,310             | 2,310                  |
| Due/Memberships                       | 4,000             | 4,079             | 79                     |
| Meetings                              | 3,500             | 1,776             | (1,724)                |
| <b>TOTAL BOARD OF COMMISSIONERS</b>   | <b>\$ 20,980</b>  | <b>\$ 21,193</b>  | <b>\$ 213</b>          |
| <b>FINANCIAL ADMINISTRATION:</b>      |                   |                   |                        |
| Salaries - management                 | \$ 70,390         | \$ 70,654         | \$ 264                 |
| Salaries - wages-staff                | 24,960            | 19,561            | (5,399)                |
| Part-time - wages                     | 3,000             | -                 | (3,000)                |
| Health Ins                            | 14,324            | 14,348            | 24                     |
| Pension                               | 3,167             | 3,750             | 583                    |
| FICA                                  | 7,914             | 6,831             | (1,083)                |
| PAUC                                  | 2,000             | 1,910             | (90)                   |
| Disability Insurance                  | 3,000             | 6,924             | 3,924                  |
| Office supplies                       | 2,000             | 2,135             | 135                    |
| Office equipment                      | 2,000             | 32                | (1,968)                |
| Computer Supplies                     | 500               | -                 | (500)                  |
| Other operating supplies              | 500               | 96                | (404)                  |
| Auditing Service                      | 6,000             | 5,923             | (77)                   |
| Postage                               | 1,600             | 704               | (896)                  |
| Computer equip/maint.                 | 1,200             | 2,526             | 1,326                  |
| Advertising                           | 1,500             | 1,941             | 441                    |
| Printing                              | 1,000             | -                 | (1,000)                |
| Worker's Comp                         | 500               | 32                | (468)                  |
| Machinery/equip                       | 1,000             | 1,098             | 98                     |
| Due/fees                              | 500               | 485               | (15)                   |
| Contracted Services                   | 3,400             | 3,954             | 554                    |
| Internet                              | 1,200             | 1,199             | (1)                    |
| Website Hosting                       | 1,500             | 40                | (1,460)                |
| Meetings/Conf                         | 2,500             | -                 | (2,500)                |
| Other services/charges                | 1,000             | -                 | (1,000)                |
| Computer hardware/software            | 2,800             | 4,892             | 2,092                  |
| <b>TOTAL FINANCIAL ADMINISTRATION</b> | <b>\$ 159,455</b> | <b>\$ 149,036</b> | <b>\$ (10,419)</b>     |
| <b>TAX COLLECTION:</b>                |                   |                   |                        |
| Salaries - elected officials          | \$ 1,200          | \$ 1,200          | \$ -                   |
| FICA                                  | 96                | 92                | (4)                    |
| Postage                               | 50                | -                 | (50)                   |
| Printing                              | 50                | -                 | (50)                   |
| Bonding                               | 900               | -                 | (900)                  |
| Due/fees                              | 100               | -                 | (100)                  |
| Commission - Del R.E                  | 1,800             | 1,710             | (90)                   |
| Commission - EIT                      | 3,600             | 3,272             | (328)                  |
| Commission - BPT                      | 1,500             | 556               | (944)                  |
| Commission - EMST                     | 900               | 810               | (90)                   |
| Contracted Services                   | 3,000             | 3,000             | -                      |
| Meetings/Confernces                   | -                 | 128               | 128                    |
| <b>TOTAL TAX COLLECTION</b>           | <b>\$ 13,196</b>  | <b>\$ 10,768</b>  | <b>\$ (2,428)</b>      |

**TOWNSHIP OF ALEPPO**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                        | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>OVER &lt;UNDER&gt;<br/>BUDGET</u> |
|----------------------------------------|-------------------|-------------------|--------------------------------------|
| <b>EXPENDITURES: (CONTINUED)</b>       |                   |                   |                                      |
| <b>GENERAL GOVERNMENT: (CONTINUED)</b> |                   |                   |                                      |
| <b>LEGAL SERVICES:</b>                 |                   |                   |                                      |
| Legal services                         | \$ 40,000         | \$ 26,876         | \$ (13,124)                          |
| <b>TOTAL LEGAL SERVICES</b>            | <b>\$ 40,000</b>  | <b>\$ 26,876</b>  | <b>\$ (13,124)</b>                   |
| <b>ENGINEER:</b>                       |                   |                   |                                      |
| Engineering Service                    | \$ 20,000         | \$ 31,703         | \$ 11,703                            |
| <b>TOTAL ENGINEER</b>                  | <b>\$ 20,000</b>  | <b>\$ 31,703</b>  | <b>\$ 11,703</b>                     |
| <b>MUNICIPAL BUILDING:</b>             |                   |                   |                                      |
| Janitorial supplies                    | \$ 800            | \$ 210            | \$ (590)                             |
| Building materials/supplies            | 1,000             | 697               | (303)                                |
| Small Tools                            | 100               | 2,097             | 1,997                                |
| Telephone                              | 1,800             | 1,405             | (395)                                |
| Utilities                              | 7,000             | 6,745             | (255)                                |
| Water/Sewer                            | 5,000             | 4,744             | (256)                                |
| Repair/maint                           | 3,000             | 4,205             | 1,205                                |
| Capital Construction                   | 1,000             | 344               | (656)                                |
| <b>TOTAL MUNICIPAL BUILDING</b>        | <b>\$ 19,700</b>  | <b>\$ 20,448</b>  | <b>\$ 748</b>                        |
| <b>TOTAL GENERAL GOVERNMENT</b>        | <b>\$ 273,331</b> | <b>\$ 260,024</b> | <b>\$ (13,307)</b>                   |
| <b>PUBLIC SAFETY:</b>                  |                   |                   |                                      |
| <b>POLICE PROTECTION:</b>              |                   |                   |                                      |
| Pension                                | \$ 9,228          | \$ 9,228          | \$ -                                 |
| Contracted Services                    | 95,000            | 93,136            | (1,864)                              |
| <b>TOTAL POLICE PROTECTION</b>         | <b>\$ 104,228</b> | <b>\$ 102,364</b> | <b>\$ (1,864)</b>                    |
| <b>FIRE PROTECTION:</b>                |                   |                   |                                      |
| Workmans Comp Insurance                | \$ 7,000          | \$ (3,485)        | \$ (10,485)                          |
| Hydrant rental                         | 4,500             | 4,500             | (0)                                  |
| Foreign Fire Allocation                | -                 | 12,215            | 12,215                               |
| LST contribution                       | 10,000            | 13,193            | 3,193                                |
| Contribution/grants                    | 75,330            | 75,330            | (0)                                  |
| <b>TOTAL FIRE PROTECTION</b>           | <b>\$ 96,830</b>  | <b>\$ 101,753</b> | <b>\$ 4,923</b>                      |
| <b>EMERGENCY SERVICES:</b>             |                   |                   |                                      |
| Contracted Services                    | \$ 15,328         | \$ 15,368         | \$ 40                                |
| Emergency Management Committee         | 1,000             | 1,167             | 167                                  |
| <b>TOTAL EMERGENCY SERVICES</b>        | <b>\$ 16,328</b>  | <b>\$ 16,535</b>  | <b>\$ 207</b>                        |
| <b>CODE ENFORCEMENT:</b>               |                   |                   |                                      |
| Other operating supplies               | \$ 100            | \$ -              | \$ (100)                             |
| Dues/fees                              | 100               | -                 | (100)                                |
| Contracted Services                    | 4,000             | 3,113             | (887)                                |
| <b>TOTAL CODE ENFORCEMENT</b>          | <b>\$ 4,200</b>   | <b>\$ 3,113</b>   | <b>\$ (1,087)</b>                    |

**TOWNSHIP OF ALEPPO**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                   | BUDGET            | ACTUAL            | OVER <UNDER><br>BUDGET |
|-----------------------------------|-------------------|-------------------|------------------------|
| <b>EXPENDITURES: (CONTINUED)</b>  |                   |                   |                        |
| <b>PUBLIC SAFETY: (CONTINUED)</b> |                   |                   |                        |
| <b>PLANNING/ZONING:</b>           |                   |                   |                        |
| Professional Services             | \$ 1,500          | \$ -              | \$ (1,500)             |
| Legal Services                    | 1,500             | -                 | (1,500)                |
| Advertising                       | 200               | -                 | (200)                  |
| Dues/Permits                      | 100               | -                 | (100)                  |
| Contracted Services               | 3,000             | -                 | (3,000)                |
| <b>TOTAL PLANNING/ZONING</b>      | <b>\$ 6,300</b>   | <b>\$ -</b>       | <b>\$ (6,300)</b>      |
| <b>TOTAL PUBLIC SAFETY</b>        | <b>\$ 227,886</b> | <b>\$ 223,764</b> | <b>\$ (4,122)</b>      |
| <b>PUBLIC WORKS:</b>              |                   |                   |                        |
| <b>SANITATION:</b>                |                   |                   |                        |
| Contracted Services               | \$ 103,224        | \$ 101,627        | \$ (1,597)             |
| <b>TOTAL SANITATION</b>           | <b>\$ 103,224</b> | <b>\$ 101,627</b> | <b>\$ (1,597)</b>      |
| <b>SEWERS:</b>                    |                   |                   |                        |
| 537 Plan                          | \$ 145,000        | \$ 149,114        | \$ 4,114               |
| <b>TOTAL SEWERS</b>               | <b>\$ 145,000</b> | <b>\$ 149,114</b> | <b>\$ 4,114</b>        |
| <b>PUBLIC WORKS:</b>              |                   |                   |                        |
| <b>HIGHWAYS:</b>                  |                   |                   |                        |
| Salaries - management             | \$ 50,981         | \$ 51,201         | \$ 220                 |
| Salaries - staff                  | 38,522            | 36,688            | (1,834)                |
| Wages - part-time                 | 20,000            | 11,487            | (8,513)                |
| Health Ins.                       | 40,060            | 40,107            | 47                     |
| Pension                           | 6,333             | 5,750             | (583)                  |
| FICA                              | 9,089             | 8,233             | (856)                  |
| PAUC                              | 3,000             | 2,920             | (80)                   |
| Overtime                          | 5,000             | 8,044             | 3,044                  |
| Shift differential                | 150               | 110               | (40)                   |
| Disability Insurance              | 2,500             | -                 | (2,500)                |
| Office supplies                   | 150               | 18                | (132)                  |
| Vehicle Fuel                      | 8,500             | 6,935             | (1,565)                |
| Uniform                           | 2,900             | 2,864             | (36)                   |
| Street repair/maint               | 22,000            | 80,541            | 58,541                 |
| Other operating supplies          | 500               | 89                | (411)                  |
| Vehicle parts                     | 6,000             | 8,468             | 2,468                  |
| Small tools/minor equip           | 2,500             | 798               | (1,702)                |
| Cellular/pager                    | 1,600             | 1,620             | 20                     |
| Worker's Comp                     | 9,300             | 8,525             | (775)                  |
| Electricity                       | -                 | 44                | 44                     |
| Machinery/equip                   | 3,000             | 1,084             | (1,916)                |
| Dues/fees                         | 100               | 51                | (50)                   |
| Contracted Services               | 12,000            | 8,920             | (3,080)                |
| Vehicle Repair                    | 7,000             | 11,653            | 4,653                  |
| Meetings/Conf                     | 100               | -                 | (100)                  |
| Other services/charges            | 100               | 250               | 150                    |
| Capital Construction              | 247,000           | 425,633           | 178,633                |
| Machinery/equip                   | 20,000            | -                 | (20,000)               |
| Capital Outlay                    | 2,000             | -                 | (2,000)                |
| Wages - part-time                 | 3,000             | 1,263             | (1,737)                |
| FICA                              | 200               | 89                | (111)                  |
| Electricity                       | 600               | 484               | (116)                  |
| <b>TOTAL HIGHWAYS</b>             | <b>\$ 524,185</b> | <b>\$ 723,869</b> | <b>\$ 199,684</b>      |
| <b>TOTAL PUBLIC WORKS</b>         | <b>\$ 772,409</b> | <b>\$ 974,611</b> | <b>\$ 202,202</b>      |



**TOWNSHIP OF ALEPPO**  
**DETAIL SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                                        | <u>BUDGET</u>              | <u>ACTUAL</u>              | <u>OVER &lt;UNDER&gt;<br/>BUDGET</u> |
|--------------------------------------------------------|----------------------------|----------------------------|--------------------------------------|
| <b>EXPENDITURES: (CONTINUED)</b>                       |                            |                            |                                      |
| <b><u>DEBT SERVICE:</u></b>                            |                            |                            |                                      |
| AIM - Principal                                        | \$ 20,000                  | \$ 20,000                  | \$ -                                 |
| AIM - Interest                                         | 330                        | 330                        | -                                    |
| <b>TOTAL DEBT SERVICE</b>                              | <b><u>\$ 20,330</u></b>    | <b><u>\$ 20,330</u></b>    | <b><u>\$ -</u></b>                   |
| <b><u>MISCELLANEOUS:</u></b>                           |                            |                            |                                      |
| Miscellaneous                                          | \$ 500                     | \$ 1,126                   | \$ 626                               |
| Bonding                                                | 500                        | -                          | (500)                                |
| Property Insurance                                     | 33,000                     | 32,997                     | (4)                                  |
| <b>TOTAL MISCELLANEOUS</b>                             | <b><u>\$ 34,000</u></b>    | <b><u>\$ 34,123</u></b>    | <b><u>\$ 123</u></b>                 |
| <b><u>OTHER FINANCING USES:</u></b>                    |                            |                            |                                      |
| Refund Prior Year Revenues                             | \$ 5,000                   | \$ 909                     | \$ (4,091)                           |
| <b>TOTAL OTHER FINANCING USES</b>                      | <b><u>\$ 5,000</u></b>     | <b><u>\$ 909</u></b>       | <b><u>\$ (4,091)</u></b>             |
| <b>TOTAL EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b><u>\$ 1,332,956</u></b> | <b><u>\$ 1,513,762</u></b> | <b><u>\$ 180,806</u></b>             |

**ALEPPO TOWNSHIP  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

|                                            | <b>HIGHWAY<br/>AID<br/>FUND</b> | <b>CAPITAL<br/>IMPROVEMENS<br/>FUND</b> | <b>INFRASTRUCTURE<br/>FUND</b> | <b>CONSTRUCTION<br/>FUND</b> | <b>TOTAL</b>      |
|--------------------------------------------|---------------------------------|-----------------------------------------|--------------------------------|------------------------------|-------------------|
| <b><u>ASSETS</u></b>                       |                                 |                                         |                                |                              |                   |
| Investments                                | \$ 29,674                       | \$ 66,829                               | \$ 15,749                      | \$ 10,789                    | \$ 123,041        |
| <b>TOTAL ASSETS</b>                        | <b>\$ 29,674</b>                | <b>\$ 66,829</b>                        | <b>\$ 15,749</b>               | <b>\$ 10,789</b>             | <b>\$ 123,041</b> |
| <b><u>LIABILITIES</u></b>                  |                                 |                                         |                                |                              |                   |
| Due to Other Funds                         | \$ -                            | \$ -                                    | \$ -                           | \$ -                         | \$ -              |
| <b>TOTAL LIABILITIES</b>                   | <b>\$ -</b>                     | <b>\$ -</b>                             | <b>\$ -</b>                    | <b>\$ -</b>                  | <b>\$ -</b>       |
| <b><u>FUND BALANCES</u></b>                |                                 |                                         |                                |                              |                   |
| Restricted                                 | \$ 29,674                       | \$ -                                    | \$ -                           | \$ 10,789                    | \$ 40,463         |
| Assigned                                   | -                               | 66,829                                  | 15,749                         | -                            | 82,578            |
| <b>TOTAL FUND BALANCES</b>                 | <b>\$ 29,674</b>                | <b>\$ 66,829</b>                        | <b>\$ 15,749</b>               | <b>\$ 10,789</b>             | <b>\$ 123,041</b> |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 29,674</b>                | <b>\$ 66,829</b>                        | <b>\$ 15,749</b>               | <b>\$ 10,789</b>             | <b>\$ 123,041</b> |

**ALEPPO TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                              | <u>HIGHWAY<br/>AID<br/>FUND</u> | <u>CAPITAL<br/>IMPROVEMENTS<br/>FUND</u> | <u>INFRASTRUCTURE<br/>FUND</u> | <u>CONSTRUCTION<br/>FUND</u> | <u>TOTAL</u>        |
|----------------------------------------------|---------------------------------|------------------------------------------|--------------------------------|------------------------------|---------------------|
| <b><u>REVENUES:</u></b>                      |                                 |                                          |                                |                              |                     |
| Interest                                     | \$ 13                           | \$ 48                                    | \$ 8                           | \$ 26                        | \$ 95               |
| Intergovernmental                            | 39,426                          | -                                        | -                              | -                            | 39,426              |
| <b>TOTAL REVENUES</b>                        | <b>\$ 39,439</b>                | <b>\$ 48</b>                             | <b>\$ 8</b>                    | <b>\$ 26</b>                 | <b>\$ 39,521</b>    |
| <b><u>EXPENDITURES:</u></b>                  |                                 |                                          |                                |                              |                     |
| Public Works                                 | \$ 26,068                       | \$ -                                     | \$ -                           | \$ 40,848                    | \$ 66,916           |
| <b>TOTAL EXPENDITURES</b>                    | <b>\$ 26,068</b>                | <b>\$ -</b>                              | <b>\$ -</b>                    | <b>\$ 40,848</b>             | <b>\$ 66,916</b>    |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b> |                                 |                                          |                                |                              |                     |
| Operating Transfers Out                      | \$ -                            | \$ (357,005)                             | \$ -                           | \$ -                         | \$ (357,005)        |
| Bond Proceeds                                | -                               | -                                        | -                              | 8,345,000                    | 8,345,000           |
| Bond Fees (Closing Costs)                    | -                               | -                                        | -                              | (172,568)                    | (172,568)           |
| Transfer to Escrow Fund                      | -                               | -                                        | -                              | (8,444,859)                  | (8,444,859)         |
| Net Original Issue Discount                  | -                               | -                                        | -                              | (113,642)                    | (113,642)           |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>  | <b>\$ -</b>                     | <b>\$ (357,005)</b>                      | <b>\$ -</b>                    | <b>\$ (386,069)</b>          | <b>\$ (743,074)</b> |
| <b>NET CHANGE IN FUND BALANCES</b>           | <b>\$ 13,371</b>                | <b>\$ (356,957)</b>                      | <b>\$ 8</b>                    | <b>\$ (426,891)</b>          | <b>\$ (770,469)</b> |
| FUND BALANCE January 1, 2015                 | 16,303                          | 423,786                                  | 15,741                         | 437,680                      | 893,510             |
| <b>FUND BALANCE - December 31, 2015</b>      | <b>\$ 29,674</b>                | <b>\$ 66,829</b>                         | <b>\$ 15,749</b>               | <b>\$ 10,789</b>             | <b>\$ 123,041</b>   |

***REQUIRED  
SUPPLEMENTARY  
INFORMATION***

**TOWNSHIP OF ALEPPO**  
**POLICE PENSION PLAN**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

|                                                                           | <u>2015</u>           | <u>2014</u>            |
|---------------------------------------------------------------------------|-----------------------|------------------------|
| <b>Total Pension Liability-Beginning</b>                                  | \$ 753,822            | \$ 717,519             |
| Service Cost                                                              | -                     | -                      |
| Interest                                                                  | 52,692                | 49,764                 |
| Changes of Benefit Terms                                                  | -                     | -                      |
| Differences Between Expected and Actual Experience                        | 6,726                 | -                      |
| Changes of Assumptions                                                    | -                     | -                      |
| Benefit payments, including Refunds of Members Contributions              | (15,868)              | (13,461)               |
| Net Change in Total Pension Liability                                     | <u>\$ 43,550</u>      | <u>\$ 36,303</u>       |
| <br>Total Pension Liability-Ending                                        | <br><u>\$ 797,372</u> | <br><u>\$ 753,822</u>  |
| <br>Plan Fiduciary Net Position-Beginning                                 | <br>\$ 813,757        | <br>\$ 776,355         |
| Contributions-employer                                                    | 9,228                 | 16,268                 |
| Contributions-employee                                                    | -                     | -                      |
| Net Investment Income                                                     | (9,478)               | 35,795                 |
| Benefit payments, including Refunds of Employee Contributions             | (15,868)              | (13,461)               |
| Administrative Expense                                                    | (7,282)               | (1,200)                |
| Other                                                                     | -                     | -                      |
| Change in Plan Fiduciary Net Position                                     | <u>\$ (23,400)</u>    | <u>\$ 37,402</u>       |
| <br>Plan Fiduciary Net Position-Ending                                    | <br><u>\$ 790,357</u> | <br><u>\$ 813,757</u>  |
| <br>Net Pension Liability-Ending                                          | <br><u>\$ 7,015</u>   | <br><u>\$ (59,935)</u> |
| <br><b>RATIOS:</b>                                                        |                       |                        |
| Plan Fiduciary Net Position as a<br>Percentage of Total Pension Liability | 99.12%                | 107.95%                |
| <br>Covered-employee Payroll                                              | <br>\$ -              | <br>\$ -               |
| <br>Net Pension Liability as a Percentage<br>of Covered-employee Payroll  | <br>N/A               | <br>N/A                |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar year 2015 and 2014 only.

See Notes to Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions

**TOWNSHIP OF ALEPPO**  
**POLICE PENSION PLAN**  
**SCHEDULE OF ACTUARIALLY DETERMINED PENSION CONTRIBUTION AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

| <b><u>Year Ended<br/>December 31</u></b> | <b><u>Actuarially<br/>Determined<br/>Contribution</u></b> | <b><u>Actual<br/>Contributions</u></b> | <b><u>Contribution<br/>Deficiency<br/>(Excess)</u></b> | <b><u>Covered<br/>Employee<br/>Payroll</u></b> | <b><u>Contributions<br/>as a % of<br/>Covered<br/>Employee<br/>Payroll</u></b> |
|------------------------------------------|-----------------------------------------------------------|----------------------------------------|--------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------|
| 2014                                     | \$ 16,268                                                 | \$ 16,268                              | \$ -                                                   | \$ -                                           | N/A                                                                            |
| 2015                                     | 9,228                                                     | 9,228                                  | -                                                      | -                                              | N/A                                                                            |

NOTE: Schedule requires information for past 10 calendar years. Most recent actuarial valuation presents information for calendar year 2015 and 2014 only.

See Notes to Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions

**TOWNSHIP OF ALEPPO**  
**SCHEDULE OF INVESTMENT RETURNS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

Annual money-weighted rate of return, net of investment expense not funded through the MMO.

|      | <b><u>POLICE<br/>PENSION<br/>PLAN</u></b> |
|------|-------------------------------------------|
| 2014 | 5.52%                                     |
| 2015 | -1.17%                                    |

**TOWNSHIP OF ALEPPO**  
**POLICE PENSION PLAN**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

| <b><u>ACTUARIAL<br/>VALUATION<br/>DATE</u></b> | <b><u>ACTUARIAL<br/>VALUE<br/>OF ASSETS</u></b> | <b><u>ACTUARIAL<br/>ACCRUED<br/>LIABILITY</u></b> | <b><u>UNFUNDED<br/>ACTUARIAL<br/>ACCRUED<br/>LIABILITY</u></b> | <b><u>FUNDED<br/>RATIO</u></b> | <b><u>COVERED<br/>PAYROLL</u></b> | <b><u>UAAL AS<br/>A % OF<br/>COVERED<br/>PAYROLL</u></b> |
|------------------------------------------------|-------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------|--------------------------------|-----------------------------------|----------------------------------------------------------|
| 1/1/2007                                       | \$ 625,845                                      | \$ 398,580                                        | \$ (227,265)                                                   | 157.0%                         | \$ -                              | N/A                                                      |
| 1/1/2009 *                                     | 577,272                                         | 500,266                                           | (77,006)                                                       | 115.4%                         | -                                 | N/A                                                      |
| 1/1/2011                                       | 634,099                                         | 587,790                                           | (46,309)                                                       | 107.9%                         | -                                 | N/A                                                      |
| 1/1/2013                                       | 667,551                                         | 674,591                                           | 7,040                                                          | 99.0%                          | -                                 | N/A                                                      |
| 1/1/2015                                       | 773,950                                         | 760,548                                           | (13,402)                                                       | 101.8%                         | -                                 | N/A                                                      |

\* Revised assumptions pursuant to experience review



**TOWNSHIP OF ALEPPO**  
**NOTES TO SUPPLEMENTARY SCHEDULES (RSI)**  
**DECEMBER 31, 2015**

**NOTE 1 - TREND INFORMATION**

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

**NOTE 2 - ACTUARIAL ASSUMPTIONS AND METHODS**

The information presented in the preceding required supplementary information section was determined as part of the actuarial valuation dated January 1, 2013. Additional information included as part of this valuation is as follows:

Actuarial Cost Method - Entry Age Normal

Amortization Method - Level Dollar Amount, Closed

Remaining Amortization Period – 1 Year

Asset Valuation Method – 4 Year Smoothing

Investment Rate of Return - 7.0% net of investment expenses not funded through the MMO, and including inflation.

Salary Increase - 5.0%

Inflation Rate – 3.0%

Mortality – RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives. Rates projected with 75% of scale AA.

Retirement Age – Normal retirement age, or attained age if currently eligible to retire.